

LEGISLATIVE FISCAL REPORT 2007 BIENNIUM

Volume 3 - Agency Budgets

Introduction

House Bill 2

General Government and Transportation

Health and Human Services



June 2005

LEGISLATIVE
FISCAL
DIVISION



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LEGISLATIVE BUDGET ANALYSIS

2007 Biennium

Volume 3

Presented to the Fifty-ninth Legislature

Submitted by
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APPROPRIATIONS BY
AGENCY AND PROGRAM
— INTRODUCTION —



AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

Legislative Branch
Consumer Counsel
Judiciary
Governor's Office
Secretary of State
Commissioner of Political Practices
State Auditor
Transportation
Revenue
Administration
Consensus Council
Appellate Defender Commission
Montana Consensus Council
Office of the Public Defender

HEALTH AND HUMAN SERVICES (Section B)

Public Health and Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

Fish, Wildlife, and Parks
Environmental Quality
Livestock
Natural Resources and Conservation
Agriculture
Commerce

CORRECTIONS AND PUBLIC SAFETY (Section D)

Crime Control Division
Justice

CORRECTIONS AND PUBLIC SAFETY (continued)

Public Service Regulation
Corrections
Labor and Industry
Military Affairs

EDUCATION (Section E)

Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Commissioner of Higher Education
Community Colleges
University Units and College of Technology
Agricultural Experiment Station
Extension Service
Forestry and Conservation Experiment Station
Bureau of Mines & Geology
Fire Services Training School
Montana Arts Council
State Library Commission
Montana Historical Society

LONG-RANGE PLANNING (Section F)

Long-Range Building Program
State Building Energy Conservation
Treasure State Endowment Program
Treasure State Endowment Regional Water System
Renewable Resource Grant & Loan Program
Reclamation & Development Grant Program
Cultural and Aesthetic Grant Program

APPROPRIATIONS BY AGENCY AND PROGRAM (ROAD MAP)

This summary of the layout and composition of the “Appropriations by Agency and Program” section is designed to provide the reader with a “road map” for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

BUDGET TIERS

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

1. Base budget, which is defined as “that level of funding authorized by the previous legislature”.
2. Present law budget, defined as “that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature”.
3. New proposals, which are “requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding...”.

(For a further explanation of these tiers and how they are derived, see page 1 of the “Reference” section in Volume 1, or the publication entitled “Understanding State Finances and the Budgeting Process”, available through the Legislative Fiscal Division and on the Internet at <http://leg.state.mt.us/css/fiscal/reports.asp>)

The fiscal report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2007 biennium agency budget.

COMPONENTS OF THE FISCAL REPORT

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative.
2. The program narrative.

Agency Narrative

The agency narrative provides an overview of appropriations for the agency. Since the legislature appropriates at the program level, only discussion pertinent to the agency as a whole is included in this section. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the appropriation by year, including separate columns showing present law adjustments and new proposals. The reader can use this table to not only get a general idea of the size and funding of the agency, but also view any changes made.
2. **Agency Description** is a brief description of the agency.
3. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
4. **Summary of Legislative Action** provides additional information or overarching discussion.
5. **Agency Discussion** is used to discuss overarching issues or action of the legislature.
6. **Funding** is a table that shows the total biennium funding, by program and fund type. A further discussion of the individual fund types is included in the program narrative.
7. **Other Legislation** lists and discusses legislation having a fiscal impact on the agency.
8. **Executive Budget Comparison** is a table and related discussion that compares the proposed executive budget (as published by the Schweitzer administration on January 7) and final legislative action, and highlights the major differences.
9. **Reorganizations** details any major reorganization that took place in the 2005 biennium or is reflected in the 2007 biennium.
10. **Language** includes any agency-wide language adopted by the legislature.

Note: The main and executive budget comparison tables, the agency description and summary of legislative action, and the highlights and funding tables are included in each agency narrative. However, the other components are included only if circumstances warrant.

Program Narrative

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including the adjusted fiscal 2004 base used to derive the budget, the total present law adjustments, new proposals, and the total budget, by fiscal year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst.

5. **Funding** details program funding, including a brief description of the various types of funding used to support the program.
6. **Program Reorganization** details any program reorganizations that took place in the 2005 biennium or that were adopted by the legislature for the 2007 biennium.
7. The **Present Law Adjustments Table** delineates the major present law adjustments adopted by the legislature, by fiscal year and funding source. The table is divided into two sections:
 - o Statewide present law adjustments, which include most personal services adjustments, the vacancy savings applied, and adjustments due to fixed costs and inflation
 - o Other present law adjustments adopted by the legislature
8. **Executive Present Law Adjustments** discusses each adjustment in more detail.
9. The **New Proposals Table** shows each new proposal adopted by the legislature, by fiscal year and funding source.
10. **New Proposals** discusses each new proposal in more detail.
11. **Other Legislation** lists any legislation passed by the legislature of particular pertinence to the program.
12. **Language** recreates any program specific language adopted by the legislature.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate.

STATEWIDE PRESENT LAW ADJUSTMENTS

"Statewide Present Law Adjustments" are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the "statewide" section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. There are four main categories of adjustments: 1) personal services; 2) vacancy savings; 3) inflation/deflation; and 4) fixed costs.

Personal Services

Taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time derives budgeted personal services costs. A number of underlying factors will make the 2007 biennium personal services costs different from actual fiscal 2004 costs. The most important are:

- o Incorporation of the 2005 biennium pay plan adopted by the 2003 Legislature (the 2007 biennium pay plan is added in a new proposal)
- o Full funding of all positions
- o Elimination of all termination pay that may have been incurred in FY 2004
- o Incorporation of any upgrades or downgrades that occurred in FY 2004

In addition, some present law increases or decreases in FTE made by the previous legislature may be included in this portion of the table.

Vacancy Savings

The legislature adopted a 4 percent vacancy savings rate on all salaries and benefits, including insurance, for most positions. Exempted positions include university system faculty, and those in agencies with fewer than 20 full-time equivalent positions, the Judiciary, and the Legislative Branch. In addition, two programs within the Montana School for the Deaf and Blind were exempted.

Inflation/Deflation

The legislature inflated or deflated certain operating expenses. A complete listing of expenditure categories inflated or deflated has been included in the "Reference" section of Volume 1.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations are made through a change to the service agency budget, or to the allocation method used by the service agency. A complete listing of all fixed costs is included in the "Reference" section of Volume 1.

AGENCY BUDGET HIGHLIGHTS

The following summarizes the main budget highlights of the 2007 biennium budget. Please note that the following discussion pertains to HB 2 and HB 447 (pay plan bill) expenditures only. These two bills appropriate over 88.8 percent of all general fund in the 2007 biennium.

As shown, the legislature adopted a general fund budget of \$2.6 billion, a \$342.7 million increase (14.9 percent) over the 2005 biennium, and a total funds budget of \$7.0 billion, an \$831.6 million increase (13.4 percent).

Legislative Budget by Program Area 2005 to 2007 Biennium				
--- General Fund ---				
Component	Legislative Budget	Increase Over 2005	Percent Increase	Percent of Increase
K-12 Education	\$1,115,460,655	\$86,483,151	8.4%	25.2%
Higher Education	314,315,075	36,329,071	13.1%	10.6%
Corrections	244,693,798	34,045,811	16.2%	9.9%
Human Services	624,553,985	104,042,786	20.0%	30.4%
All Other Government Agencies	341,440,413	81,839,922	31.5%	23.9%
Total	\$2,640,463,926	\$342,740,741	14.9%	
--- Total Funds ---				
Component	Legislative Budget	Increase Over 2005	Percent Increase	Percent of Increase
K-12 Education	\$1,415,916,924	\$106,751,386	8.2%	12.8%
Higher Education	435,373,210	43,868,823	11.2%	5.3%
Corrections	252,228,747	35,155,264	16.2%	4.2%
Human Services	2,736,632,805	501,832,784	22.5%	60.3%
All Other Government Agencies	2,196,784,984	144,013,783	7.0%	17.3%
Total	\$7,036,936,670	\$831,622,040	13.4%	

PRIMARY BUDGET FACTORS

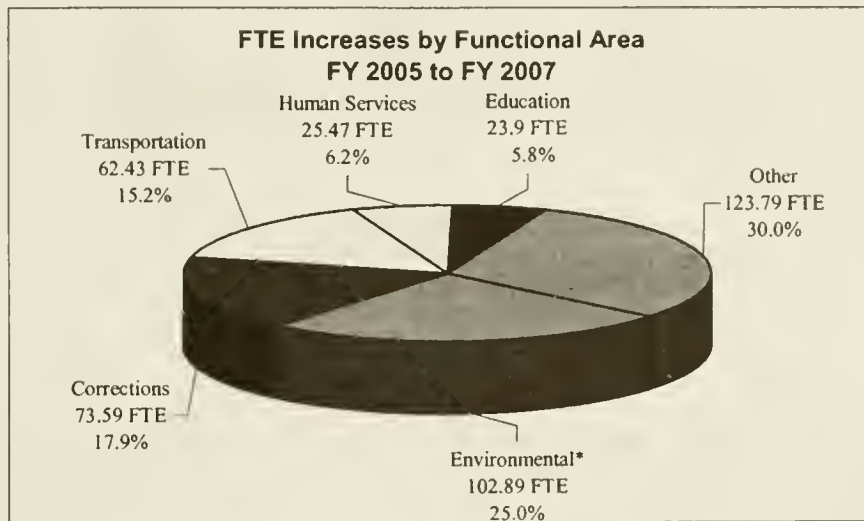
The following summarizes the primary factors causing the change in funding:

- General fund increases by \$342.7 million, or 14.9 percent, over the 2005 biennium. Major causes of the increase include the following:
 - Human services caseload and service changes, and an increase in the percentage of Medicaid costs the state must pay
 - Increased financial assistance, community and Tribal college assistance, and vocational technical equipment in the Montana University System, along with an increase in the percentage of general fund provided for operating costs
 - Expansions in the number of beds and payments to providers, as well as additional probation and parole officers, to address correctional population growth
 - K-12 education inflationary adjustments in Base Aid, as well as increases in a number of payments (i.e. special education), the per student entitlement for both elementary and high school students, and implementation of 3-year averaging for determining average number belonging

- Statewide present law adjustments
- Total funds would increase by \$831.6 million, or 13.4 percent. Human services is over 60 percent of this increase, due primarily to
 - Increases in Medicaid caseload and services
 - Medicaid redesign, which utilizes existing state resources to increase coverage
 - Continued use of various provider assessments (i.e. hospital tax) to increase federal funds
 - Additional food stamp costs and TANF activities

FTE

An additional 412.07 FTE were added in FY 2007 over the FY 2005 level appropriated for by the 2003 Legislature. The following shows the allocation of the increase.

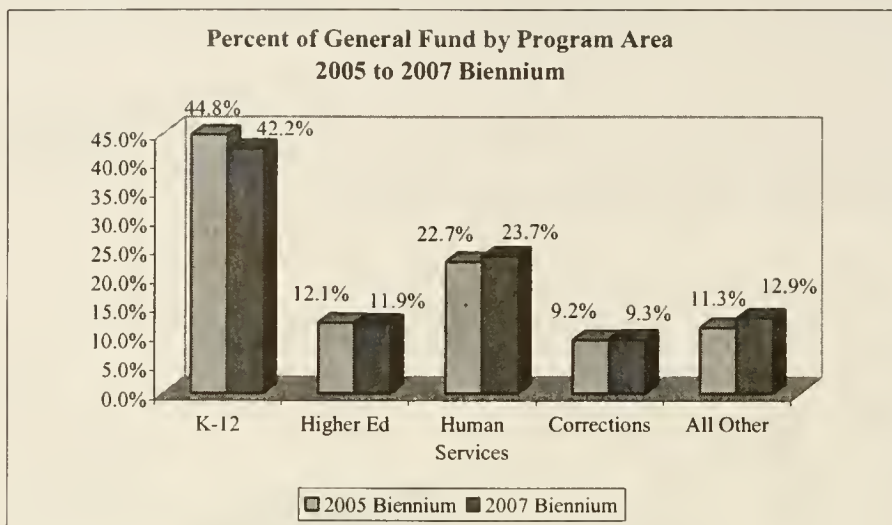


The increase in FTE is due primarily to:

- Provision of funds for additional fire fighting capacities, total maximum daily load activities, accelerated water adjudication, conversion of contract services to state FTE, and miscellaneous program editions in the three primary environmental agencies (Fish, Wildlife, and Parks; Environmental Quality; and Natural Resources and Conservation)
- Additional probation and parole officers and personnel to staff a new revocation center in the Department of Corrections
- A new Office of the Public Defender, which adds new FTE and receives a transfer of other FTE from local governments ("Other" category)
- FTE for the construction plan and to integrate financial management systems in the Department of Transportation

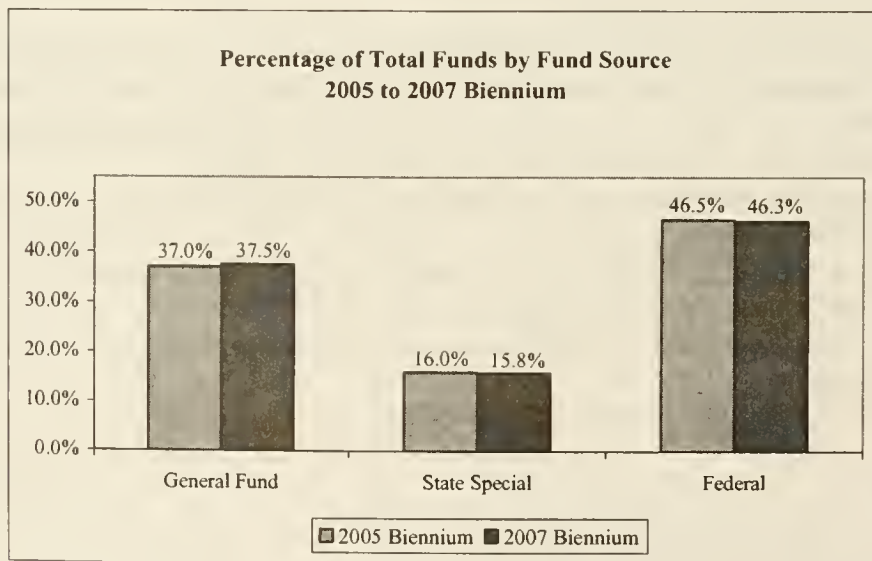
COMPARISON OF PROGRAM AREAS

The following figure shows the allocation of general fund by program area for the 2007 biennium compared to the 2005 biennium.



SOURCE OF FUNDING

The following figure illustrates that, slightly reversing a trend for a number of years, general fund is a slightly higher share of total funding due to an increase of almost 15 percent. This change is slight, however, as state special revenue and federal funds also increase by double digit amounts – 11.9 and 12.8 percent, respectively.



HOUSE BILL 2



Stricken language in this bill indicates a Governor's line-item veto. However, his authority to do is questioned and has been challenged in the courts.



AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIUM ENDING JUNE 30, 2007; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [This act] may be cited as "The General Appropriations Act of 2005".

Section 2. First level expenditures. The agency and program appropriation tables in the legislative fiscal analyst narrative accompanying this bill, showing first level expenditures and funding for the 2007 biennium, are adopted as legislative intent.

Section 3. Severability. If any section, subsection, sentence, clause, or phrase of [this act] is for any reason held unconstitutional, the decision does not affect the validity of the remaining portions of [this act].

Section 4. Appropriation control. An appropriation item designated as "Biennial" may be spent in either year of the biennium. An appropriation item designated "Restricted" may be used during the biennium only for the purpose designated by its title and as presented to the legislature. An appropriation item designated "One Time Only" or "OTO" may not be included in the present law base for the 2009 biennium. The office of budget and program planning shall establish a separate appropriation on the statewide accounting, budgeting, and human resource system for any item designated as "Biennial", "Restricted", "One Time Only", or "OTO". The office of budget and program planning shall establish at least one appropriation on the statewide accounting, budgeting, and human resource system for any appropriation that appears as a separate line item in [this act].

Section 5. Program definition. As used in [this act], "program" has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure established on the statewide accounting, budgeting, and human resource system, and is identified as a major subdivision of an agency ordinarily numbered with an arabic numeral.

Section 6. Personal services funding – 2009 biennium. (1) Except as provided in subsection (2), present law and new proposal funding budget requests for the 2009 biennium submitted under Title 17, chapter 7, part 1, by each executive, judicial, and legislative branch agency must include funding of first level personal services separate from funding of other expenditures. The funding of first level personal services by accounting entity or equivalent for each fiscal year must be shown at the fourth reporting level or equivalent in the budget request for the 2009 biennium submitted by October 30 to the legislative fiscal analyst by the office of budget and program planning.

(2) The provisions of subsection (1) do not apply to the Montana university system.

Section 7. Totals not appropriations. The totals shown in [this act] are for informational purposes only and are not appropriations.

Section 8. Effective date. [This act] is effective July 1, 2005.

Section 9. Appropriations. The following money is appropriated for the respective fiscal years:

Fiscal 2006						Fiscal 2007					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
A. GENERAL GOVERNMENT AND TRANSPORTATION											
LEGISLATIVE BRANCH (1104)											
1.	Legislative Services (20) (Biennial)										
4,438,074	858,175	0	0	0	5,296,249	4,842,848	379,585	0	0	0	5,222,433
a.	Interim School Funding Study (Restricted/Biennial/OTO)										
200,000	0	0	0	0	200,000	0	0	0	0	0	0
2.	Legislative Committees and Activities (21) (Biennial)										
419,732	0	0	0	0	419,732	198,830	0	0	0	0	198,830
3.	Fiscal Analysis and Review (27) (Biennial)										
1,271,142	0	0	0	0	1,271,142	1,312,797	0	0	0	0	1,312,797
4.	Audit and Examination (28) (Biennial)										
1,778,408	1,501,291	0	0	0	3,279,699	1,909,158	1,361,872	0	0	0	3,271,030
a.	Legislative Audit of Public Defender Services -- SB 146 (OTO)										
88,155	0	0	0	0	88,155	0	0	0	0	0	0

Total

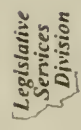
8,195,511	2,359,466	0	0	0	10,554,977	8,263,633	1,741,457	0	0	0	10,005,090
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Interim School Funding Study is for an interim study of the school funding formula.

If Senate Bill No. 146 is not passed and approved, Audit and Examination is reduced by \$88,155 in general fund money in fiscal year 2006.

CONSUMER COUNSEL (1112)

1.	Administration Program (01)										
0	1,160,767	0	0	0	1,160,767	0	1,170,980	0	0	0	1,170,980
a.	Caseload Contingency Fund (Restricted)										
0	250,000	0	0	0	250,000	0	250,000	0	0	0	250,000



	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
<hr/>												
Total:	0	1,410,767	0	0	0	1,410,767	0	1,420,980	0	0	0	1,420,980
<hr/>												
JUDICIARY (2110)												
1. Supreme Court Operations (01)												
5,399,501	173,530	192,510	0	0	0	5,765,541	5,357,696	181,370	192,310	0	0	5,731,376
a. Legislative Audit (Restricted/Biennial)												
38,461	0	0	0	0	0	38,461	0	0	0	0	0	0
b. Software Licenses (Restricted/Biennial/OTO)												
1,095,000	0	0	0	0	0	1,095,000	0	0	0	0	0	0
2. Boards and Commissions (02)												
228,744	25,000	0	0	0	0	253,744	228,574	25,000	0	0	0	253,574
a. Judicial Standards Investigation (Restricted/Biennial)												
25,000	0	0	0	0	0	25,000	0	0	0	0	0	0
3. Law Library (03)												
811,952	0	0	0	0	0	811,952	820,249	0	0	0	0	820,249
4. District Court Operations (04)												
29,979,801	150,000	500,000	0	0	0	30,629,801	22,178,591	150,000	500,000	0	0	22,828,591
a. Court Reporting Equipment (Restricted/Biennial/OTO)												
34,495	0	0	0	0	0	34,495	0	0	0	0	0	0
b. Authority for County-Paid Leave (Restricted/Biennial)												
LINE ITEM VETO												
0	642,548	0	0	0	0	642,548	0	0	0	0	0	0
c. Judicial Education (Restricted/Biennial)												
50,000	0	0	0	0	0	50,000	50,000	0	0	0	0	50,000
5. Water Courts Supervision (05)												

LINE ITEM VETO

	Fiscal 2006				Fiscal 2007							
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
0		1,183,880	0	0	0	1,183,880	0	1,183,010	0	0	0	1,183,010
6.	Clerk of Court (06)											
	387,493	0	0	0	0	387,493	387,451	0	0	0	0	387,451
Total												

If Senate Bill No. 146 is not passed and approved, Supreme Court Operations is increased by \$43,725 in general fund money in fiscal year 2007. If Senate Bill No. 146 is not passed and approved, District Court Operations is decreased by \$209,508 in general fund money in fiscal year 2006 and increased by \$8,093,435 in general fund money in fiscal year 2007.

If Senate Bill No. 406 is not passed and approved, Supreme Court Operations is reduced by \$23,530 in fiscal year 2006 and by \$31,370 in fiscal year 2007 in state special revenue.

If House Bill No. 536 is not passed and approved, Supreme Court Operations is decreased by \$1,935,000 in general fund money in each fiscal year of the 2007 biennium.

If Senate Bill No. 18 is not passed and approved, District Court Operations is reduced by \$157,477 in general fund money in fiscal year 2006 and by \$270,615 in general fund money in fiscal year 2007.

If Senate Bill No. 355 is not passed and approved, District Court Operations is reduced by \$5,000 in general fund money in each fiscal year of the biennium.

If House Bill No. 22 is not passed and approved, Water Courts Supervision funding is reduced by \$416,690 in state special revenue in each year of the biennium.

GOVERNOR'S OFFICE (3101)

1.	Executive Office Program (01)											
2,531,284	72,180	0	0	0	0	2,603,464	2,529,059	71,980	0	0	0	2,601,039
a.	Legislative Audit (Restricted/Biennial)											
32,544	0	0	0	0	0	32,544	0	0	0	0	0	0
b.	Computer Equipment Replacement (OTO)											
40,736	0	0	0	0	0	40,736	21,641	0	0	0	0	21,641
c.	Increased Budget for Governor's Office (OTO)											
62,587	0	0	0	0	0	62,587	53,815	0	0	0	0	53,815
d.	Marketing and Business Recruitment (Biennial)											
300,000	0	0	0	0	0	300,000	300,000	0	0	0	0	300,000

	Fiscal 2006					Fiscal 2007				
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
2.	Mansion Maintenance Program (02)									
	86,527	0	0	0	86,527	86,395	0	0	0	86,395
a.	Mansion Budget Increase (OTO)									
	25,000	0	0	0	25,000	25,000	0	0	0	25,000
3.	Air Transportation Program (03)									
	274,417	20,000	0	0	294,417	264,366	20,000	0	0	284,366
4.	Office of Budget and Program Planning (04)									
	1,372,665	0	0	0	1,372,665	1,383,163	0	0	0	1,383,163
a.	Legislative Audit (Restricted/Biennial)									
	16,272	0	0	0	16,272	0	0	0	0	0
5.	Indian Affairs (05)									
	156,675	0	0	0	156,675	156,394	0	0	0	156,394
6.	Lieutenant Governor (12)									
	271,950	0	0	0	271,950	271,368	0	0	0	271,368
7.	Citizens' Advocate Office (16)									
	69,675	0	20,000	0	89,675	69,472	0	20,000	0	89,472
8.	Mental Disabilities Board of Visitors (20)									
	346,776	0	0	0	346,776	341,343	0	0	0	341,343

The Marketing and Business Recruitment program of the governor's office shall develop goals, objectives, and performance indicators and submit interim reports to the legislative finance committee for the categories of personal services, institutional advertising, website activity, travel, trade show activity, target research, promotional materials, and telecommunications of the marketing Montana and business recruitment program. A written summary of interim reports must be presented to the government and transportation subcommittee at the 2007 legislative session. The dates and contents of the interim reports are as follows:

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
(1) by July 31, 2005, provide a list of the intended results of each category. For each result, one of which must include the names of successfully recruited businesses and number of jobs created, the staff shall provide a list of the performance indicators that will be used to measure the result, indicate who is responsible for ensuring attainment, and include a specific timeline indicating the stages and time needed to reach attainment.												
(2) by July 1, 2006, provide a report on the success of meeting intended results, including measures of the performance indicators, reasons for not meeting any intended results (if applicable), changes that are needed to meet intended results, changes to performance indicators, changes to timelines, and whether intended results are attainable; and												
(3) by November 15, 2006, provide an update to the July 1, 2006, report on the success of meeting intended results, including measures of the performance indicators, accomplishments to date, and, if necessary, reasons for not meeting any intended results.												
If Senate Bill No. 385 is not passed and approved, Mental Disabilities Board of Visitors is reduced by \$36,008 in fiscal year 2006 and by \$30,860 in fiscal year 2007 in general fund money.												
SECRETARY OF STATE (3201)												
1.	Business and Government Services (01)											
	0	0	5,469,529	0	0	5,469,529	0	0	5,556,936	0	0	5,556,936
Total												
COMMISSIONER OF POLITICAL PRACTICES (3202)												
1.	Administration (01)											
350,062	0	0	0	0	0	350,062	350,603	0	0	0	0	350,603
a.	Legislative Audit (Restricted/Biennial)											
6,509	0	0	0	0	0	6,509	0	0	0	0	0	0
b.	Computer Equipment Replacement/Upgrade (OTO)											
6,365	0	0	0	0	0	6,365	0	0	0	0	0	0
Total												
362,936	0	0	0	0	0	362,936	350,603	0	0	0	0	350,603

Fiscal 2006					Fiscal 2007				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
OFFICE OF THE STATE AUDITOR (3401)									
1.	Central Management (01)								
	0	579,161	0	0	0	579,161	0	0	578,661
a.	Legislative Audit (Restricted/Biennial)								
	0	5,532	0	0	0	5,532	0	0	0
2.	Insurance Program (03)								
	0	2,912,107	0	0	0	2,912,107	0	0	2,910,330
a.	Legislative Audit (Restricted/Biennial)								
	0	24,083	0	0	0	24,083	0	0	0
b.	Contract Examinations (Restricted)								
	0	227,820	0	0	0	227,820	0	0	283,544
c.	Montana Comprehensive Health Association (Restricted)								
	0	573,215	0	0	0	573,215	0	0	573,215
d.	Captive Insurance Examinations (Restricted)								
	0	19,200	0	0	0	19,200	0	0	19,200
e.	Premium Assistance for Small Employers -- HB 667 (Restricted)								
	0	1,671,375	0	0	0	1,671,375	0	0	5,899,001
f.	Provide Tax Relief in the Form of Tax Credits -- HB 667								
	0	1,200,000	0	0	0	1,200,000	0	0	3,976,330
3.	Securities (04)								
	0	683,772	0	0	0	683,772	0	0	689,887
a.	Legislative Audit (Restricted/Biennial)								
	0	5,858	0	0	0	5,858	0	0	0
b.	Contract Examinations (Restricted)								
	0	60,792	0	0	0	60,792	0	0	65,792

	Fiscal 2006			Fiscal 2007			Total	Other	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue								

Total

0 7,962,915 0 0 0 7,962,915 0 14,995,960 0 0 14,995,960

Funding in Premium Assistance for Small Employers and Provide Tax Relief in the Form of Tax Credits is contingent upon passage and approval of House Bill No. 667 and may be used only to implement House Bill No. 667. If the department of public health and human services is successful in obtaining a medicaid 1115 waiver for a premium incentive or premium assistance program, the state auditor's office shall transfer \$994,000 in state special revenue in fiscal year 2007 to the department of public health and human services to be used to match federal medicaid funds.

Funding for Premium Assistance for Small Employers and Provide Tax Relief in the Form of Tax Credits includes the support of 3 new FTE.

DEPARTMENT OF TRANSPORTATION (5401)

1. General Operations Program (01) (Biennial)

0 19,061,913 731,920 0 0 19,793,833 0 19,276,705 786,461 0 0 20,063,166

a. Legislative Audit (Restricted/Biennial)

0 133,136 0 0 0 133,136 0 0 0 0 0 0

b. Commercial Vehicle Operations Enhancements (OTO)

0 103,007 86,484 0 0 189,491 0 64,629 54,262 0 0 118,891

2. Construction Program (02) (Biennial)

0 117,550,637 282,192,809 0 0 399,743,446 0 120,516,453 290,618,785 0 0 411,135,238

a. Bridge Inspection Capital Equipment (OTO)

0 140,000 860,000 0 0 1,000,000 0 0 0 0 0 0

b. Federal Earmarks (OTO)

0 831,810 10,466,000 0 0 11,297,810 0 50,000 3,390,000 0 0 3,440,000

3. Maintenance Program (03) (Biennial)

0 90,753,483 7,306,779 0 0 98,060,262 0 90,769,973 7,431,416 0 0 98,201,389

a. Remote Weather Information System Expansion (OTO)

0 131,375 0 0 0 131,375 0 131,375 0 0 0 131,375

		Fiscal 2006				Fiscal 2007					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
b.	Lewis and Clark 511 Federal Earmark (OTO)										
	0	0	900,000	0	0	900,000	0	0	0	0	0
4.	Motor Carrier Services Division (22)										
	0	5,787,856	1,050,000	0	0	6,837,856	0	5,822,978	1,400,000	0	7,222,978
a.	Computer Programming -- HB 55 (OTO)										
	0	10,000	0	0	0	10,000	0	0	0	0	0
5.	Aeronautics Program (40)										
	0	795,883	42,046	0	0	837,929	0	794,500	42,057	0	836,557
a.	Airport Grants (Biennial)										
	0	1,033,000	0	0	0	1,033,000	0	0	0	0	0
b.	System Plan (Biennial)										
	0	17,500	332,500	0	0	350,000	0	0	0	0	0
c.	West Yellowstone Airport (Biennial/OTO)										
	0	0	285,000	0	0	285,000	0	0	0	0	0
d.	Lincoln Airport Runway Rehabilitation (Biennial/OTO)										
	0	119,987	2,279,763	0	0	2,399,750	0	7,487	142,263	0	149,750
e.	Aircraft Engine (Biennial/OTO)										
	0	32,000	0	0	0	32,000	0	0	0	0	0
f.	Aircraft Purchase (Biennial/OTO)										
	0	324,000	0	0	0	324,000	0	0	0	0	0
6.	Transportation Planning Division (50) (Biennial)										
	0	2,264,925	8,285,144	0	0	10,550,069	0	2,254,428	8,296,778	0	10,551,206
a.	Corridor Studies (OTO)										
	0	75,000	300,000	0	0	375,000	0	0	0	0	0

Fiscal 2006				Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
Total	Other	Total	Other	Total	Other	Total	Other

Total

0	239,165,512	315,118,445	0	0	554,283,957	0	239,688,528	312,162,022	0	0	551,850,550
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The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program.

All federal special revenue appropriations in the department are biennial.

All appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions, for the 2005 biennium are authorized to continue and are appropriated in fiscal year 2006 and fiscal year 2007.

The department shall provide a report to the general government and transportation joint appropriations subcommittee of the 2007 legislature that summarizes the accomplishments achieved from funding provided in the 2007 biennium for disadvantaged business enterprises and fuel tax evasion included in General Operations Program and Corridor Studies. The report must at a minimum specify how many disadvantaged businesses were served and what services were provided. For each listed funding area, the report must include a listing of outcome goals planned for the 2007 biennium and the actual activities toward attaining the goals:

Computer Programming is contingent upon passage and approval of House Bill No. 55.

DEPARTMENT OF REVENUE (5801)

1.	Director's Office (01)	2,077,468	0	0	27,332	0	2,104,800	2,077,671	0	0	27,332	0	2,105,003
	a.	Legislative Audit (Restricted/Biennial)											
		170,797	0	800	0	0	171,597	0	0	0	0	0	0
	b.	Replace Remainder of POINTS (Restricted/Biennial/OTO)											
		3,000,000	0	0	0	0	3,000,000	1,000,000	0	0	0	0	1,000,000
2.	Information Technology (02)	3,264,485	0	0	68,330	0	3,332,815	3,903,588	0	0	68,330	0	3,971,918
3.	Resource Management (05)	991,141	0	0	1,235,142	0	2,226,283	989,824	0	0	1,233,887	0	2,223,711
4.	Customer Service Center (06)												

	Fiscal 2006				Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
4,794,495	421,441	92,400	784,625	0	6,092,961	4,780,586	427,335	92,400
a. Child Support Debt Collection Costs (Restricted/Biennial)								784,625
73,730	0	0	0	0	73,730	73,730	0	0
b. Delinquent Income Tax Receivable Collection (OTO)								
8,400	0	0	0	0	8,400	0	0	0
5. Business and Income Taxes Division (07)								
5,096,954	150,480	205,221	0	0	5,452,655	5,106,724	154,995	209,102
a. Tax Compliance Staff (Restricted/Biennial)								
1,120,000	0	0	0	0	1,120,000	0	0	0
6. Property Assessment Division (08)								
15,243,834	50,000	0	0	0	15,293,834	15,352,506	50,000	0
a. Property Tax Computer System (Restricted/Biennial/OTO)								
2,750,000	0	0	0	0	2,750,000	2,750,000	0	0
b. Agriculture/Forest Land Reappraisal Program (OTO)								
147,502	0	0	0	0	147,502	423,161	0	0
Total	38,738,806	621,921	298,421	2,115,429	0	41,774,577	632,330	301,502
								2,114,174
								0
								39,505,796

Any funds remaining, up to \$1,400,000, from the appropriation authorized in section 12(1), Chapter 597, Laws of 2003, are reappropriated to the department for the 2007 biennium for the stated purpose.

Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in amounts not to exceed \$78,766,985 in fiscal year 2006 and \$83,497,337 in fiscal year 2007.

In the event that the department is unable to meet statutory service levels because of the increase in demand for liquor products, the department may hire additional temporary employees or pay overtime, whichever is determined to be the more cost-effective, to maintain required service levels to stores. In fiscal year 2006 and in fiscal year 2007, the department is appropriated not more than \$40,000 each year for additional costs from the liquor enterprise fund (06005) to meet the service level requirements.

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
In the liquor division, upon a termination that requires a payout of accrued leave balances, liquor division proprietary funds are appropriated from the liquor enterprise fund (06005) to the department in the amount equal to the payout of the accrued leave balances, not to exceed \$30,000 for each of fiscal years 2006 and 2007.												
Funds are not appropriated or otherwise made available to the department to support continuation of individual income tax debt collection contracts entered into before July 1, 2005.												
Funding in Tax Compliance Staff may be used only for personal services and operating costs for additional tax audit staff, including support and legal staff.												
If Senate Bill No. 48 is not passed and approved, Property Assessment Division is reduced by \$18,720 in general fund money in fiscal year 2006 and by \$18,720 in general fund money in fiscal year 2007.												
DEPARTMENT OF ADMINISTRATION (6101)												
1.	Administrative Financial Services Division (03)											
	1,216,870	2,883	64,156	44,997	0	1,328,906	1,217,039	3,498	64,206	44,934	0	1,329,677
a.	Legislative Audit (Restricted/Biennial)											
	18,089	615	0	0	0	18,704	0	0	0	0	0	0
2.	Architecture and Engineering Program (04)											
	0	1,252,414	0	0	0	1,252,414	0	1,251,602	0	0	0	1,251,602
a.	Legislative Audit (Restricted/Biennial)											
	0	1,731	0	0	0	1,731	0	0	0	0	0	0
3.	General Services Program (06)											
	607,003	0	0	0	500,000	1,107,003	606,324	0	0	0	500,000	1,106,324
4.	Information Technology Services Division (07)											
	450,010	1,050,000	767,902	0	0	2,267,912	449,651	1,050,000	768,793	0	0	2,268,444
a.	Legislative Audit (Restricted/Biennial)											
	608	0	1,515	0	0	2,123	0	0	0	0	0	0
b.	Montana Spatial Data Infrastructure (OTO)											
	0	0	707,000	0	0	707,000	0	0	707,000	0	0	707,000
c.	Emergency Telecommunication Infrastructure (Restricted/Biennial/OTO)											
	3,500,000	0	0	0	0	3,500,000	0	0	0	0	0	0

	Fiscal 2006				Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
					Total			Total
5. Banking and Financial Division (14)								
0	2,701,813	0	0	0	2,701,813	0	2,790,093	0
a. Legislative Audit (Restricted/Biennial)								
0	3,173	0	0	0	3,173	0	0	0
b. Mortgage Broker Act -- SB 274								
0	54,706	0	0	0	54,706	0	59,784	0
6. Montana State Lottery (15)								
0	0	0	7,199,873	0	7,199,873	0	0	7,201,651
a. Legislative Audit (Restricted/Biennial)								
0	0	0	99,913	0	99,913	0	0	0
b. Administrative Server (OTO)								
0	0	0	7,000	0	7,000	0	0	0
c. Vendor Fees (Restricted)								
0	0	0	150,000	0	150,000	0	0	250,000
7. State Personnel Division (23)								
1,235,347	32,241	0	0	0	1,267,588	1,236,447	32,241	0
8. State Tax Appeal Board (37)								
331,134	0	0	0	0	331,134	330,474	0	0
Total								
7,359,061	5,099,576	1,540,573	7,501,783	500,000	22,000,993	3,839,935	5,187,218	18,563,737

If House Bill No. 425 is not passed and approved, then Administrative Financial Services Division is increased by \$785 in general fund money and \$496,118 in state special revenue in fiscal year 2006 and by \$1,400 in general fund money and \$495,843 in state special revenue in fiscal year 2007, which reflects the current appropriations for administration and enforcement functions relating to unfair trade practices and consumer protection and telemarketing laws in the consumer protection office in the department. The legislative fiscal division and the office of budget and program planning are authorized to transfer all fiscal year 2004 expenditures and fiscal year 2005 appropriations from the department of administration to the department of justice

		Fiscal 2006				Fiscal 2007							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
for the purpose of display in the legislative fiscal division 2007 biennium fiscal report.													
If House Bill No. 102 is not passed and approved, there is appropriated from the general fund to the department for payments to the Montana highway patrol pension fund the amount required for this transfer, not to exceed \$350,000 in fiscal year 2006 and \$350,000 in fiscal year 2007.													
There is appropriated from the general fund to the department the amount required to be refunded to the federal government for its participation in the workers' compensation old fund transfer to the general fund, not to exceed \$300,000 in fiscal year 2006. Funding is contingent upon the department validating a need for the refund following negotiations with the federal government.													
Any funds remaining, up to \$2,100,000, from the appropriation authorized in section 11(2), Chapter 597, Laws of 2003, are reappropriated to the department for the 2007 biennium for the stated purpose. If House Bill No. 745 is passed and approved in a form that includes an appropriation of \$2,100,000 to finish the contractor payments on IRIS phase one, then this appropriation is void.													
Mortgage Broker Act is contingent upon passage and approval of Senate Bill No. 274.													
Funding for Vendor Fees is restricted to payment of fees to the lottery online gaming system vendor under valid contract obligations.													
APPELLATE DEFENDER COMMISSION (6102)													
1.	Appellate Defender (01)	208,849	0	0	0	0	208,849	0	0	0	0	0	0
a.	Computer Purchases (OTO)	3,819	0	0	0	0	3,819	0	0	0	0	0	0

If Senate Bill No. 146 is not passed and approved, Appellate Defender is increased by \$205,261 in general fund money in fiscal year 2007.

MONTANA CONSENSUS COUNCIL (6106)

1.	Montana Consensus Council (01)	69,040	247,569	0	0	0	316,609	68,829	247,936	0	0	0	316,765
a.	Legislative Audit (Restricted/Biennial)	0	382	0	0	0	382	0	0	0	0	0	0

Fiscal 2006						Fiscal 2007					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
Total											
69,040	247,951	0	0	0	316,991	68,829	247,936	0	0	0	316,765
OFFICE OF STATE PUBLIC DEFENDER (6108)											
1. Office of State Public Defender (01)											
514,552	0	0	0	0	514,552	13,017,335	0	0	0	0	13,017,335
2. Office of Appellate Defender (02)											
0	0	0	0	0	0	852,883	0	0	0	0	852,883
Total											
514,552	0	0	0	0	514,552	13,870,218	0	0	0	0	13,870,218
All funding for the office is contingent upon passage and approval of Senate Bill No. 146.											

Fiscal 2006

General Fund	State Special Revenue	Federal Special Revenue	Proprietary
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Fiscal 2007

General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
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B. HEALTH AND HUMAN SERVICES

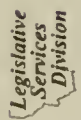
DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES (6901)

1. Human and Community Services Division (02)

23,663,891	992,143	188,962,709	0	0	213,618,743	23,722,335	990,809	203,376,303	0	0	228,089,447
a. Energy Conservation/Assistance (Biennial/OTO)											
0	0	1,450,000	0	0	1,450,000	0	0	0	0	0	0
b. Energy Ombudsman Services (Restricted/OTO)											
300,000	0	0	0	0	300,000	300,000	0	0	0	0	300,000
c. Child Care (Restricted)											
2,400,000	0	0	0	0	2,400,000	0	0	0	0	0	0
d. Low-Income Energy Assistance (OTO)											
500,000	0	0	0	0	500,000	500,000	0	0	0	0	500,000
e. Food Banks (Restricted)											
0	0	100,000	0	0	100,000	0	0	100,000	0	0	100,000
f. TANF Cash Assistance Increase Benefit Level (Restricted)											
0	0	2,415,000	0	0	2,415,000	0	0	2,415,000	0	0	2,415,000
g. TANF Reduce CC Transfer, Fund Cash Assistance (Restricted)											
0	0	2,400,000	0	0	2,400,000	0	0	0	0	0	0
h. Adult Basic Education (Restricted)											
0	0	125,000	0	0	125,000	0	0	125,000	0	0	125,000
i. HCSD – Implement Provisions of HB 667											
0	14,795	14,795	0	0	29,590	0	18,750	18,750	0	0	37,500
j. HCSD – Implement Change in Medicaid Asset Test for Children											
19,814	0	19,814	0	0	39,628	0	51,399	51,399	0	0	102,798
2. Child and Family Services Division (03)											

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
24,760,773	1,883,043	26,739,378	0	0	0	53,383,194	25,635,960	1,883,055	27,416,389	0	0	54,935,404
a.	Foster Care -- Respite Allowance (Restricted)											
51,344	0	42,009	0	0	0	93,353	51,344	0	42,009	0	0	93,353
b.	Foster Care -- Transportation Allowance (Restricted)											
111,101	0	90,900	0	0	0	202,001	111,101	0	90,900	0	0	202,001
c.	Foster Care -- Diaper Allowance (Restricted)											
59,294	0	48,514	0	0	0	107,808	59,294	0	48,514	0	0	107,808
d.	Foster Care -- Clothing Allowance (Restricted)											
131,200	0	82,800	0	0	0	214,000	131,200	0	82,800	0	0	214,000
e.	Family Foster Care Rate Increase (Restricted)											
192,000	0	82,286	0	0	0	274,286	192,000	0	82,286	0	0	274,286
f.	Foster Care Group Home Rate Increase (Restricted)											
102,000	0	43,714	0	0	0	145,714	102,000	0	43,714	0	0	145,714
3.	Director's Office (04)											
1,328,489	241,224	2,624,543	0	0	0	4,194,256	831,310	241,473	17,142,060	0	0	18,214,843
a.	Waiver of Deeming											
0	0	0	0	0	0	0	0	100,000	0	0	0	100,000
b.	Tribal Programs (Restricted/Biennial)											
52,000	0	52,000	0	0	0	104,000	0	0	0	0	0	0
4.	Child Support Enforcement Division (05)											
666,138	1,900,929	6,516,638	0	0	0	9,083,705	656,647	1,901,929	6,510,299	0	0	9,068,875
a.	Child Support Enforcement (Biennial)											
1,263,678	0	0	0	0	0	1,263,678	0	0	0	0	0	0
5.	Fiscal Services Division (06)											
2,107,434	349,940	3,248,729	0	0	0	5,706,103	2,106,600	349,794	3,247,495	0	0	5,703,889

	Fiscal 2006				Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
					Total			Other
6.								
a.	Legislative Audit (Restricted/Biennial)							
137,988		6,272	169,348	0	0	0	0	0
Public Health and Safety Division (07)					313,608			
2,642,811		10,388,493	43,149,520	0	0	56,180,824	1,377,518	11,025,125
43,143,957								
a.	Local Inspection Funds (OTO)							
0		100,000	0	0	0	100,000	0	0
100,000								
b.	Federally Funded FTE							
0		0	120,975	0	0	120,975	0	0
120,649								
c.	Tribal Tobacco Prevention Contracts (Restricted/Biennial)							
0		720,000	0	0	0	720,000	0	0
720,000								
d.	Tribal Peer Counseling (Restricted/Biennial)							
60,000		0	0	0	0	60,000	0	0
60,000								
7.	Quality Assurance Division (08)							
2,069,248		271,467	5,546,567	0	0	7,887,282	2,068,940	271,452
5,546,963								
a.	Medicaid Payment Error Rate (Restricted/OTO)							
134,468		0	134,468	0	0	268,936	155,336	0
155,336								
8.	Operations and Technology Division (09)							
8,870,818		1,105,605	17,214,502	0	0	27,190,925	8,879,626	1,108,341
17,228,121								
a.	OTD -- Implement Provisions of HB 667							
0		101,000	149,000	0	0	250,000	0	25,000
25,000								
b.	OTD -- Implement Change in Medicaid Asset Test for Children							
13,821		0	13,821	0	0	27,642	0	0
27,642								
9.	Disability Services Division (10)							
43,552,430		1,071,546	79,615,081	0	0	124,239,057	44,037,504	1,072,098
79,496,134								
a.	Montana Telecommunications Access Program (Restricted)							



	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
0	0	244,448	0	0	0	244,448	0	353,470	0	0	0	353,470
b.	Developmental Disabilities Training (Restricted/Biennial/OTO)											
120,600	120,600	0	79,400	0	0	200,000	0	0	0	0	0	0
c.	Developmental Disabilities Crisis (Restricted/Biennial/OTO)											
120,600	120,600	0	79,400	0	0	200,000	120,600	0	79,400	0	0	200,000
d.	Developmental Disabilities Startup (Restricted/Biennial/OTO)											
500,000	500,000	0	0	0	0	500,000	0	0	0	0	0	0
e.	Developmental Disabilities Waiting List Reduction (Restricted)											
326,138	326,138	0	798,863	0	0	1,125,001	335,700	0	789,300	0	0	1,125,000
f.	Montana Development Center Bed Tax (Restricted)											
860,168	860,168	0	0	0	0	860,168	858,263	0	0	0	0	858,263
g.	Extended Employment Follow Along (Restricted)											
140,000	140,000	0	0	0	0	140,000	140,000	0	0	0	0	140,000
h.	Extended Employment Sheltered (Restricted)											
70,000	70,000	0	0	0	0	70,000	70,000	0	0	0	0	70,000
i.	Independent Living (Restricted)											
100,000	100,000	0	0	0	0	100,000	100,000	0	0	0	0	100,000
j.	Computer Tech Support to Assist Blind (Restricted)											
65,000	65,000	0	0	0	0	65,000	65,000	0	0	0	0	65,000
k.	Part C Early Intervention (Restricted)											
90,000	90,000	0	0	0	0	90,000	90,000	0	0	0	0	90,000
l.	Direct-Care Worker Salary Increase From 25th to 35th Percentile (Restricted)											
475,000	475,000	1,219,445	0	0	0	2,169,445	0	950,000	1,190,604	0	0	2,140,604
10.	Health Resources Division (11)											
96,577,980	96,577,980	11,892,070	319,083,736	0	0	427,553,786	104,889,808	13,764,183	341,879,892	0	0	460,533,883

	General Fund	Fiscal 2006				General Fund	State Special Revenue	Fiscal 2007			Total	Other	Total
		State Special Revenue	Federal Special Revenue	Proprietary	Proprietary			State Special Revenue	Federal Special Revenue	Proprietary			
a.		Hospital Bed Tax (Restricted)											
	0	11,504,525	27,560,392	0	0	39,064,917	0	13,171,367	30,733,189	0	0	43,904,556	
b.		Physician Rate Increase (Restricted/Biennial)											
400,000		1,200,000	3,862,615	0	0	5,462,615	0	0	0	0	0	0	
c.		Raise Asset Limit for Medicaid Eligibility for Children (Restricted)											
0		0	0	0	0	0	0	0	5,847,754	0	0	5,847,754	
d.		Children's Mental Health Direct-Care Worker Wage Increase (Restricted/Biennial)											
0		875,000	2,112,368	0	0	2,987,368	0	0	0	0	0	0	
e.		Additional Medicaid Management Staff (Restricted)											
117,934		0	117,935	0	0	235,869	117,590	0	117,590	0	0	235,180	
f.		Medicaid (Biennial)											
0		601,571	1,452,473	0	0	2,054,044	0	0	0	0	0	0	
g.		Nonhospital Provider Rate Increase, Dental Access											
858,952		858,952	5,410,263	0	0	7,128,167	0	2,253,872	5,094,061	0	0	7,347,933	
h.		Cardiac and Pulmonary Rehabilitation											
0		56,465	136,314	0	0	192,779	0	120,750	282,826	0	0	403,576	
i.		Flexible Funds for SED Waiver											
0		0	0	0	0	0	0	50,000	117,112	0	0	167,112	
j.		Children's Special Health Care Clinic											
0		25,000	0	0	0	25,000	0	50,000	0	0	0	50,000	
k.		EPSDT and Rate Increases for Hospitals, Critical Access Hospitals, and Ambulatory Surgical Centers											
0		272,717	658,376	0	0	931,093	0	551,350	1,291,397	0	0	1,842,747	
l.		Prescription Drug Program -- SB 324 (Restricted)											
0		6,000,000	0	0	0	6,000,000	0	8,750,000	0	0	0	8,750,000	
m.		Startup Funds for Prescription Drug Program (Biennial)											

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
b.	Nursing Care Center Bed Tax Payment (Restricted)											
180,127		0	0	0	0	180,127	211,915	0	0	0	0	211,915
c.	Mental Health Services Plan (Restricted/Biennial)											
0		6,500,000	0	0	0	6,500,000	0	0	0	0	0	0
d.	Expand Intensive Community-Based Rehabilitation											
0		84,191	203,247	0	0	287,438	0	172,003	402,872	0	0	574,875
e.	Develop Home and Community-Based Waiver											
0		0	0	0	0	0	0	631,601	1,479,364	0	0	2,110,965

Appropriations for Human and Community Services Division; Child and Family Services Division; Director's Office; Child Support Enforcement Division; Fiscal Services Division; Public Health and Safety Division; Quality Assurance Division; Operations and Technology Division; Disability Services Division; Health Resources Division; Senior and Long-Term Care Division; and Addictive and Mental Disorders Division include over \$70 million annually to support contracts with local, nonstate public and private entities that provide either direct, distinct services and benefits directly to individuals or broad direct and indirect public benefits to the citizens of Montana. These appropriations have been made as requested by the department in either the operating category of expenditure or the grants category of expenditure. The department is directed to work with the department of administration, the legislative branch, and the office of budget and program planning to help establish accounting guidance that allows the executive branch to more consistently and uniformly account for appropriations that provide direct and indirect benefits to persons. The department and department of administration shall report to the legislative finance committee and members of the 2005 legislative joint appropriations subcommittee on health and human services by September 1, 2005, and every 6 months thereafter until completion of the project.

Human and Community Services Division includes \$50,000 in state special revenue in fiscal year 2006 and \$50,000 in state special revenue in fiscal year 2007 that are contingent upon passage and approval of House Bill No. 749 and Senate Bill No. 82. If House Bill No. 749 and Senate Bill No. 82 are not passed and approved, general fund money in Human and Community Services Division is increased by \$50,000 in fiscal year 2006 and by \$50,000 in fiscal year 2007.

Human and Community Services Division includes \$749,002 in federal funds in fiscal year 2006 and \$749,002 in federal funds in fiscal year 2007 that are contingent upon passage and approval of House Bill No. 529. If House Bill No. 529 is not passed and approved, funding for Human and Community Services Division is reduced by \$749,002 in federal funds in fiscal year 2006 and \$749,002 in federal funds in fiscal year 2007.

[illegible]

Human and Community Services Division includes \$404,148 in federal funds in fiscal year 2006 and \$404,148 in federal funds in fiscal year 2007 that are contingent upon passage and approval of Senate Bill No. 29. If Senate Bill No. 29 is not passed and approved, funding for Human and Community Services Division is reduced by \$404,148 in federal funds in fiscal year 2006 and \$404,148 in federal funds in fiscal year 2007.

Federal temporary assistance for needy families (TANF) funds and general fund money supporting TANF maintenance of effort may not be expended for abstinence education.

TANF funds and general fund money supporting TANF maintenance of effort may be expended for the following purposes only if beginning on October 1, 2005, the cash

assistance benefit level is at or above 33% of the 2005 federal poverty level index and funding for the work readiness component (WoRC) program is maintained at or above fiscal year 2005 levels:

- (1) achievement or incentive awards;
- (2) accelerated employment services or diversionary projects; or
- (3) after school programs.

This restriction has been adopted by the legislature in an effort to make funds available to support an increase in the TANF cash assistance benefit level. It is the priority of the legislature to fund increases in the TANF cash assistance benefit level rather than funding items such as those listed above.

~~The department shall report at each meeting of the children, families, health, and human services interim committee:~~

- (1) the actual amount expended and items supported by TANF block grant money in the current biennium;
- (2) the actual amount expended and items supported by TANF maintenance of effort funds in the current biennium;
- (3) the balance of federal TANF block grant funds that remain unexpended;
- (4) the monthly TANF cash assistance caseload, costs of cash assistance, and the cash assistance benefit level;
- (5) the projected annual amount to be transferred to child care and Title XX; and
- (6) the projected TANF block grant ending fund balance for the current and next state fiscal years.

Funding for Energy Ombudsman Services may be used only to fund case management-type staff at human resource development councils whose purpose is to assist low-income customers seeking emergency energy assistance. The department shall provide an annual report to the members of the 2005 legislative joint appropriations subcommittee on health and human services on the successes, failures, and impact that this effort has on assisting low-income families to move toward self-sufficiency in meeting their home heating needs.

Funding for Low-Income Energy Assistance includes \$500,000 in general fund money for each year of the biennium to support increases in low-income energy assistance programs.

Funding for Low-Income Energy Assistance includes general fund money supporting energy assistance and weatherization. These funds may be used to support the state low-

<u>Fiscal 2006</u>				<u>Fiscal 2007</u>				
State	Federal	Propri-		State	Federal	Propri-		
Special	Special	etary		Special	Special	etary		
<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>		<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>		
General	Other	Total		General	Other	Total		
<u>Fund</u>				<u>Fund</u>				
								<u>Total</u>

income energy assistance program, the state weatherization program, or tribal energy assistance programs.

Funding in TANF Cash Assistance Increase Benefit Level and TANF Reduce CC Transfer, Fund Cash Assistance may be used only to increase the monthly cash assistance benefit provided to TANF cash assistance recipients, and it is estimated that each \$2.4 million provided for TANF Cash Assistance Increase Benefit Level and TANF Reduce CC Transfer, Fund Cash Assistance is adequate to increase the TANF cash assistance benefit level, for the average family of three on the current caseload, by approximately \$50 a month.

Funding in Adult Basic Education supports provision of adult basic education services designed to meet the specific needs of TANF participants. Priority for funding must be given to the geographic areas that have the highest percentage of their population enrolled in the TANF program.

Funding in HCSD -- Implement Provisions of HB 667, OTD -- Implement Provisions of HB 667, and HRD -- Implement Provisions of HB 667 is contingent upon passage and approval of House Bill No. 667. Funding in HCSD -- Implement Provisions of HB 667 includes funding for 1 FTE for eligibility determination. Funding in HRD -- Implement Provisions of HB 667 includes funding for 1 FTE to administer the medical 1115 waiver for a premium incentive or premium assistance program associated with House Bill No. 667.

Funding in HCSD -- Implement Change in Medicaid Asset Test for Children, OTD -- Implement Change in Medicaid Asset Test for Children, and Raise Asset Limit for Medicaid Eligibility for Children is contingent upon passage and approval of House Bill No. 552. Funding in HCSD -- Implement Change in Medicaid Asset Test for Children includes funding for 3 FTE.

Funding for the Child and Family Services Division includes \$126,401 in general fund money and \$143,838 in federal funds for fiscal year 2006 and \$129,101 in general fund money and \$147,013 in federal funds for fiscal year 2007 to replace funding removed because of the across-the-board personal services reduction implemented by the 2003 legislature and to support social work staff providing services to clients. ~~The department shall report to the legislative finance committee and members of the 2005 legislative joint appropriations subcommittee on health and human services annually, at fiscal year end, on the impact of this additional staffing on division operations and compliance with federal requirements:~~

Funding for Foster Care -- Respite Allowance may be used only to provide foster care-related respite care.

Funding for Foster Care -- Transportation Allowance may be used only to provide foster care-related respite care, transportation, diapers, or clothing.

Funding for Foster Care -- Diaper Allowance may be used only to provide foster care-related diaper allowances.

Funding for Foster Care -- Clothing Allowance may be used only to provide foster care-related clothing allowances.

Funding for the Director's Office includes a \$500,000 reduction in general fund money in fiscal year 2007 from savings because of activities funded in Tribal Programs to assist Indian health services in claiming additional federal pass-through medicaid funding. The department may allocate this funding reduction among programs that administer medicaid services when developing the 2007 biennium operating plans.

Funds in Tribal Programs must be used for personal services costs for an FTE and operating costs to work with tribes to provide technical assistance on provision of pass-through federal medicaid funding for Indian health services. The appropriation must be used to:

Fiscal 2006				Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

(1) develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff; and

(2) identify and resolve barriers and work on innovating programs for tribes to access federal medicaid pass-through funding for allowable costs. ~~The department shall report to the legislative finance committee by September 1, 2006, on the number of tribes contacted, the type of work undertaken with each tribe, the specific tasks that each tribe identified to be accomplished, and the progress in completing those tasks:~~

If Senate Bill No. 137 is not passed and approved, funding in the Public Health and Safety Division is decreased by \$17,375 in state special revenue in each year of the biennium.

If Senate Bill No. 275 is not passed and approved, funding in the Public Health and Safety Division is increased by \$545,991 in general fund money in fiscal year 2006 and by \$545,928 in general fund money in fiscal year 2007 and decreased by \$832,794 in state special revenue in fiscal year 2006 and by \$832,794 in state special revenue in fiscal year 2007.

Federally Funded FTE includes \$244,624 in federal special revenue over the biennium to support 3 FTE and operating costs for public health planning and tracking. Inclusion of expenditures, including personal services costs, for Federally Funded FTE in the fiscal year 2006 base budget is contingent on renewal and continuation of federal grant funds to support those functions.

~~The department shall submit a report regarding the use of this appropriation and progress toward these goals on July 1, 2005, and again on July 1 and November 1, 2006, to the members of the 2005 legislative joint appropriations subcommittee on health and human services:~~

Funds for the Quality Assurance Division support the fair hearings processes administered by the department. The department shall report to the members of the 2005 legislative joint appropriations subcommittee on health and human services by July 1, 2005, and every 6 months thereafter on the status of grievances and appeals with respect to meeting timelines established in applicable federal and state rules and statutes.

Quality Assurance Division funding includes \$15,468 each year of the biennium for implementation of the Medical Marijuana Act. ~~The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter regarding implementation of the Act, including review of the fee amount charged to implement the Act:~~

Funding for the Operations and Technology Division supports medicaid program usage of a magnetic card to facilitate presentation of eligibility data to providers, provider claims, and payment processing. ~~The department shall report annually, at fiscal year end, to the members of the 2005 legislative joint appropriations subcommittee on health and human services and the legislative finance committee on medicaid program usage of magnetic card technology:~~

Funding for the Disability Services Division includes funding that supports community services for developmentally disabled individuals and the implementation of a statewide published rate schedule for reimbursement of these services. Funding for these services was appropriated by the legislature in a manner that supports a phased-in implementation of the published rate schedule, with one-quarter of the reimbursement for services provided to consumers transitioning to the published rate schedule each year. The department may adjust the timeframe for implementation of the published rate schedule if necessary to maintain federal medicaid funding, avoid federal penalties, or achieve compliance with federal requirements. In the event that the timeframe for implementation of the published rate schedule is modified, the department shall notify members of the 2005 legislative joint appropriations subcommittee on

Fiscal 2006				Fiscal 2007				Total
State		Federal		State		Federal		Other
General	Special	Special	Propri-	General	Special	Special	Propri-	Other
Fund	Revenue	Revenue	etary	Fund	Revenue	Revenue	etary	

health and human services prior to taking action to change the implementation schedule.

The disabilities services division shall report to the legislative finance committee and the members of the 2005 legislative joint appropriations subcommittee on health and human services every 6 months, on December 31 and June 30, on the status and progress of the following items:

- _____ (1) design and implementation of a published rate schedule for providers of developmental disabilities services;
- _____ (2) design and implementation of the Montana resource allocation protocol to allocate resources among clients in the developmental disabilities service system;
- _____ (3) status of the pilot project implementation of the published rate schedule and Montana resource allocation protocol;
- _____ (4) status and timing of statewide implementation of the published rate schedule and Montana resource allocation protocol; and
- _____ (5) status of achieving compliance with centers for medicare and medicaid findings and regulations and whether or not imposition of any penalties is occurring;

Disability Services Division includes \$10,000 in state special revenue and \$17,038 in federal funds in fiscal year 2006 and \$10,000 in state special revenue and \$16,443 in federal funds in fiscal year 2007 that are contingent upon passage and approval of House Bill No. 513. If House Bill No. 513 is not passed and approved, funding in Disability Services Division is reduced by \$10,000 in state special revenue and \$17,038 in federal funds in fiscal year 2006 and by \$10,000 in state special revenue and \$16,443 in federal funds in fiscal year 2007.

Disability Services Division includes \$16,000 in state special revenue in fiscal year 2006 and \$16,000 in state special revenue in fiscal year 2007 that are contingent upon passage and approval of Senate Bill No. 433. If Senate Bill No. 433 is not passed and approved, funding in Disability Services Division is reduced by \$16,000 in state special revenue in fiscal year 2006 and \$16,000 in state special revenue in fiscal year 2007.

Rate increases and services funded in Direct-Care Worker Salary Increase From 25th to 35th Percentile, Physician Rate Increase, Nonhospital Provider Rate Increase, Dental Access, Direct-Care Worker Wage Increase, and Provider Rate Increases -- Nursing Home and Community Services should be established and implemented at levels that will fully expend the appropriations beginning no later than July 15, 2005, and ending June 30, 2007. Rate increases should be structured so that funding in Direct-Care Worker Salary Increase From 25th to 35th Percentile, Physician Rate Increase, Nonhospital Provider Rate Increase, Dental Access, Direct-Care Worker Wage Increase, and Provider Rate Increases -- Nursing Home and Community Services is expended incrementally throughout the 2007 biennium.

Funding for the Montana Telecommunications Access Program may be expended only to support the activities of the Montana telecommunications access program.

Funding for Developmental Disabilities Training may be expended only to support developmental disabilities training for staff and providers as required in the settlement agreement of the Travis D. litigation.

Funding for Developmental Disabilities Crisis may be expended only to support developmental disabilities consumers who experience crisis and as required in the settlement agreement of the Travis D. litigation.

Funding for Developmental Disabilities Startup may be expended only to support startup costs for service expansion as required by the settlement agreement of the Travis D.

Fiscal 2006				Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other		
							Total

litigation.

Funding for Developmental Disabilities Waiting List Reduction may be used only to support services provided to individuals who have been on the developmental disabilities waiting list and are entering developmental disabilities services.

Funding for Montana Development Center Bed Tax may be used only to support the bed tax charged to the Montana developmental center.

Funding in Montana Developmental Center Bed Tax includes \$60,168 in general fund money in fiscal year 2006 and \$58,263 in general fund money in fiscal year 2007 that is contingent upon passage and approval of Senate Bill No. 82. If Senate Bill No. 82 is not passed and approved, general fund money in Montana Developmental Center Bed Tax is reduced by \$60,168 in fiscal year 2006 and \$58,263 in fiscal year 2007.

The state special revenue appropriations from the health and medicaid initiatives account for Health Resources Division, Physician Rate Increase, Medicaid, Prescription Drug Program -- SB 324, Senior and Long-Term Care Division, Direct-Care Worker Wage Increase, and Addictive and Mental Disorders Division are not available until the amount of funds deposited in the health and medicaid initiatives account exceeds \$25 million or until December 1, 2005, whichever occurs earlier, and are subject to 53-6-1201.

If Senate Bill No. 324 is not passed and approved, funding in the Health Resources Division is decreased by \$1,728,000 in state special revenue in fiscal year 2006 and by \$2,442,240 in state special revenue in fiscal year 2007, which includes funding for 9 FTE and associated operating costs in each year of the biennium.

Funding for the Health Resources Division includes more than \$80 million annually in general fund money and federal special revenue for medicaid prescription drug costs. Effective January 1, 2006, with implementation of the medicare prescription drug benefit, medicaid prescription costs will decline at least 50%. Funds appropriated for medicaid prescription drug costs that would have been paid absent the medicare benefit may be used for the clawback payment to the federal government, for administrative costs to determine eligibility for the medicare low-income prescription discount and to manage appeals and grievances related to the medicare prescription drug plan, and to update computer systems and implement federally required electronic transactions for the medicare prescription drug plan. ~~The department shall report to the legislative finance committee by September 1, 2005, and every 3 months thereafter on its plan to implement administrative duties related to the new medicare prescription drug benefit, progress in accomplishing major milestones in the plan, the costs that it has incurred, and other issues that it considers important.~~

Funding for the Health Resources Division includes \$326,000 in general fund money and federal special revenue over the biennium to contract for review and approval of certain medicaid expenditures. ~~The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter the types of reviews and outcomes because of this contract. The report must specifically include information on admissions to out-of-state hospitals.~~

Funding for the Health Resources Division includes funds to hire 2 FTE to perform analysis of the medicaid program to identify cost-saving measures. ~~The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter the types of reviews and outcomes because of the activities of the FTE.~~

Funding for the Health Resources Division includes funding for 2 FTE to manage and evaluate the passport to health program. ~~The department shall report to the legislative~~

Fiscal 2006

General Fund	State Special Revenue	Federal Special Revenue	Proprietary
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Other

Total

Fiscal 2007

General Fund	State Special Revenue	Federal Special Revenue	Proprietary
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Other

Total

mental health crisis services. The department shall prepare a report for the legislative finance committee and include: the hire date for all FTE, including those who will support crisis services planning and implementation; the plan adopted by the division for development and implementation of community crisis services; and the progress made toward implementation of the plan. The report must also include information describing the other duties performed by the FTE and provide outcome measures to facilitate legislative evaluation of the effectiveness of the regional FTE. The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter:

The appropriation for the Addictive and Mental Disorders Division includes funding for a rate increase for psychiatric services. The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter on the amount of rate increase given; the number of services provided; and assessment of whether the rate increase facilitated access to psychiatrists for low-income persons with a serious and disabling mental illness:

Funds in PACT Services may be used only for the program for assertive community treatment (PACT). The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter on the number of PACT teams, number of persons served in PACT, and PACT outcome measures tracked by the department:

Funding in Nursing Care Center Bed Tax Payment may be used only to pay the nursing home utilization fees as provided for in 15-60-102. If House Bill No. 749 is not passed and approved, funding in Nursing Care Center Bed Tax Payment must be reduced by \$44,712 in general fund money in fiscal year 2006 and by \$76,500 in general fund money in fiscal year 2007.

In fiscal year 2006, funds in Mental Health Services Plan may be used only for the mental health services program authorized in 53-21-702(2) and for state medical matching funds to implement Senate Bill No. 110.

TOTAL SECTION B

308,876,120	88,762,684	940,955,676	0	0	1,338,594,480	309,143,662	87,959,609	987,758,734	0	0	1,384,862,005
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	<u>Fiscal 2006</u>					<u>Fiscal 2007</u>				
	State		Federal		<u>Total</u>	State		Federal		<u>Total</u>
	General Fund	Special Revenue	Special Revenue	Proprietary		General Fund	Special Revenue	Special Revenue	Proprietary	

C. NATURAL RESOURCES AND COMMERCE

DEPARTMENT OF FISH, WILDLIFE, AND PARKS (5201)

1.	Administration and Finance Division (01)											
	0	6,138,467	1,835,623	0	0	7,974,090	0	6,192,633	1,813,983	0	0	8,006,616
a.	Legislative Audit (Restricted/Biennial)											
	0	77,959	13,757	0	0	91,716	0	0	0	0	0	0
2.	Field Services Division (02)											
	0	5,948,352	773,950	0	0	6,722,302	0	4,667,020	453,561	0	0	5,120,581
a.	Net Client Hunter Use (Restricted/Biennial)											
	0	8,770	0	0	0	8,770	0	8,770	0	0	0	8,770
b.	Public Wildlife Interface (Biennial)											
	0	32,500	0	0	0	32,500	0	32,500	0	0	0	32,500
3.	Fisheries Division (03)											
	0	4,330,744	6,836,770	0	0	11,167,514	0	4,326,823	6,826,427	0	0	11,153,250
a.	Legislative Contract Authority (OTO)											
	0	0	2,250,000	0	0	2,250,000	0	0	2,250,000	0	0	2,250,000
4.	Law Enforcement Division (04)											
	0	6,719,053	252,253	0	0	6,971,306	0	6,598,549	222,938	0	0	6,821,487
a.	Seasonal Water Safety (Restricted)											
	0	0	71,832	0	0	71,832	0	0	71,714	0	0	71,714
b.	Warden Trainee Program (Restricted)											
	0	34,436	11,479	0	0	45,915	0	34,436	11,479	0	0	45,915
c.	Legislative Contract Authority (OTO)											
	0	0	20,000	0	0	20,000	0	0	20,000	0	0	20,000
d.	Bison Hunt (Biennial)											

	Fiscal 2006				Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
5.	0	5,000	0	0	5,000	0	0	0
Wildlife Division (05)								5,000
0	4,236,476	3,834,388	0	0	8,070,864	0	4,236,114	3,834,585
a.	Enhanced Wildlife Surveys (Restricted/OTO)							0
0	125,000	125,000	0	0	250,000	0	125,000	125,000
b.	Equipment (OTO)							0
0	47,000	0	0	0	47,000	0	0	0
c.	Nongame Funds (Restricted)							0
0	43,500	0	0	0	43,500	0	43,500	0
d.	Legislative Contract Authority (OTO)							0
0	0	400,000	0	0	400,000	0	400,000	0
e.	Black Bear Harvest (OTO)							0
0	17,263	51,787	0	0	69,050	0	17,263	51,787
f.	Mountain Lion Research (OTO)							0
0	40,000	120,540	0	0	160,540	0	0	0
6.	Parks Division (06)							0
0	7,020,521	397,169	0	0	7,417,690	0	6,686,526	397,279
a.	Snowmobile Groomer (Biennial)							0
0	178,500	0	0	0	178,500	0	178,500	0
b.	Legislative Contract Authority							0
0	0	35,000	0	0	35,000	0	0	35,000
7.	Conservation Education Division (08)							0
0	2,053,800	718,621	0	0	2,772,421	0	1,939,446	718,621
a.	Shooting Grants (Biennial)							0
0	83,118	0	0	0	83,118	0	83,118	0

[illegible]

If the department receives additional federal special revenue for services comparable to those with general license revenue or is required to adjust personal services expenditures between state and federal accounts, the approving authority may adjust the state special revenue appropriation and the federal appropriation by like amounts.

At the beginning of fiscal year 2006, \$177,700 from the general license account is transferred to the water adjudication fund as payment of water adjudication fees related to water rights held by the department.

The department shall present a written quarterly report to the legislative fiscal division detailing its progression with the automated licensing system transition plan and the related costs for the current fiscal year. In addition, it shall present this information to the legislative finance committee at the October 2005 and June 2006 meetings:

If House Bill No. 707 is not passed and approved, Administration and Finance Division is decreased by \$91,100 in state special revenue in both fiscal year 2006 and 2007.

If Senate Bill No. 77 is passed and approved, Field Services Division is increased by 4.3 FTE and \$2,081,947 in state special revenue in fiscal year 2006 and by 10.63 FTE and \$4,364,950 in state special revenue in fiscal year 2007.

If House Bill No. 235 is not passed and approved, Field Services Division is increased by \$13,683 in state special revenue in fiscal year 2006 and decreased by \$668,631 in state special revenue in fiscal year 2007 and Law Enforcement Division is reduced by \$57,601 in state special revenue in fiscal year 2007.

If Senate Bill No. 77 is passed and approved, Law Enforcement Division is increased by 2.5 FTE and \$145,903 in state special revenue in fiscal year 2006 and by 5 FTE and \$291,806 in state special revenue in fiscal year 2007.

If House Bill No. 235 is not passed and approved or is passed and approved with an appropriation, Law Enforcement Division is reduced by 2 FTE and \$114,000 of state special revenue in fiscal year 2006 and reduced by 2 FTE and \$104,500 of state special revenue in fiscal year 2007.

If Senate Bill No. 77 is not passed and approved, Field Services Division is decreased by 2 FTE and \$605,478 in fiscal 2006 and \$605,627 in fiscal 2007 in state special revenue.

During the 2007 biennium, if the department obtains federal funding for the operations of the Fort Peck fish hatchery, it must be used to replace state special revenue approved to fund personal services and operational costs of the hatchery.

Fiscal 2006				Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

If House Bill No. 119 is passed and approved, Law Enforcement Division is increased by \$20,000 in state special revenue and \$20,000 in federal special revenue in fiscal year 2007.

~~The department shall present an annual written report by September 30 to the legislative fiscal division and the legislative finance committee regarding the implementation of the regional investigation positions and report on the level of restitution and fines collected:~~

If Senate Bill No. 126 is not passed and approved, Seasonal Water Safety funding is decreased by \$71,832 in federal special revenue in fiscal year 2006 and \$71,714 in federal special revenue in fiscal year 2007.

The Warden Trainee Program is restricted to Montana residents enrolled within the Montana university system.

~~The department shall prepare a written report on the outcome of enhanced wildlife surveys, which must be made available to the environmental quality council prior to the 60th~~

legislative session:

If Senate Bill No. 461 is not passed and approved, Wildlife Division is decreased by \$25,000 in federal special revenue in each year of the biennium.

If Senate Bill No. 318 is not passed and approved, Parks Division is decreased by \$42,551 in state special revenue in fiscal year 2006 and by \$63,311 in state special revenue in fiscal year 2007.

The department may not use any source of state special revenue to fund operations or personal services of the fish, wildlife, and parks foundation. The department may provide the use of office space and office equipment for the fish, wildlife, and parks foundation staff. The department may fund operations and personal services of its own employees to act as liaisons with the fish, wildlife, and parks foundation for the sole purpose of representing the interest of the department.

DEPARTMENT OF ENVIRONMENTAL QUALITY (5301)

1.	Central Management Program (10)	299,089	894,871	152,280	0	0	1,346,240	298,819	770,282	152,461	0	0	1,221,562
a.	Board of Environmental Review (Biennial)	18,528	0	0	0	0	18,528	18,528	0	0	0	0	18,528
b.	Confined Animal Feeding Operations (Biennial/OTO)	0	181,212	0	0	0	181,212	0	181,212	0	0	0	181,212
c.	Montana Environmental Policy Act (Restricted/Biennial)	0	523,962	0	0	0	523,962	0	523,962	0	0	0	523,962
d.	Gallatin River EIS (Restricted/OTO)												

Fiscal 2006												Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total				
0	250,000	0	0	0	250,000	0	0	0	0	0	0				
2. Planning, Prevention, and Assistance Division (20)															
2,191,663	956,146	10,408,252	0	0	13,556,061	2,193,985	960,882	10,405,836	0	0	13,560,703				
a. TMDL Database (OTO)															
165,000	0	0	0	0	165,000	165,000	0	0	0	0	165,000				
b. Database Maintenance (OTO)															
25,000	0	0	0	0	25,000	25,000	0	0	0	0	25,000				
c. TMDL Temporary Employees (OTO)															
182,843	0	0	0	0	182,843	182,443	0	0	0	0	182,443				
d. Water Adjudication Fees -- HB 22 (Restricted)															
0	0	16,620	0	0	16,620	0	0	0	0	0	0				
3. Enforcement Division (30)															
400,172	251,342	357,298	0	0	1,008,812	401,492	252,231	358,475	0	0	1,012,198				
4. Remediation Division (40)															
0	4,516,234	9,583,862	0	0	14,100,096	0	4,471,585	9,582,988	0	0	14,054,573				
a. Environmental Quality Protection Fund (Biennial/OTO)															
0	20,202	0	0	0	20,202	0	20,203	0	0	0	20,203				
b. Lockwood Site (Biennial)															
0	0	200,000	0	0	200,000	0	0	200,000	0	0	200,000				
c. Orphan Share (Biennial/OTO)															
0	1,025,000	0	0	0	1,025,000	0	1,025,000	0	0	0	1,025,000				
d. Ustfields (OTO)															
0	5,555	50,000	0	0	55,555	0	0	0	0	0	0				
e. LUST Cost Recovery (Biennial)															
0	100,000	0	0	0	100,000	0	100,000	0	0	0	100,000				

General Fund	Special Revenue	Special Revenue	Proprietary	Other	Total	General Fund	Special Revenue	Special Revenue	Proprietary	Other	Total
f.	Libby Asbestos/Troy (Biennial)										
0	0	629,663	0	0	629,663	0	0	629,663	0	0	629,663
g.	Orphan Share Feasibility Study – SB 489 (Restricted/Biennial/OTO)										
0	1,500,000	0	0	0	1,500,000	0	0	0	0	0	0
5.	Permitting and Compliance Division (50)										
955,900	10,824,800	5,076,424	0	0	16,857,124	953,963	10,898,943	5,078,312	0	0	16,931,218
a.	Major Facility Siting Act and Hard Rock (Restricted/Biennial)										
0	7,942,000	4,000,000	0	0	11,942,000	0	0	0	0	0	0
b.	Air Quality Research (Restricted/OTO)										
0	0	50,000	0	0	50,000	0	0	0	0	0	0
c.	PCD Database (Restricted/Biennial/OTO)										
0	75,000	0	0	0	75,000	0	75,000	0	0	0	75,000
d.	Hazardous Waste/Brownfields (Biennial)										
0	0	87,500	0	0	87,500	0	0	87,500	0	0	87,500
e.	Subdivision Review (Restricted/Biennial/OTO)										
0	100,000	0	0	0	100,000	0	100,000	0	0	0	100,000
f.	Termination Pay (OTO)										
4,171	11,002	0	0	0	15,173	0	0	0	0	0	0
g.	CAFO Inventory (Restricted/Biennial/OTO)										
0	25,000	0	0	0	25,000	0	25,000	0	0	0	25,000
6.	Petroleum Tank Release Compensation Board (90)										
0	593,798	0	0	0	593,798	0	593,259	0	0	0	593,259

Total

4,242,366	29,796,124	30,611,899	0	0	64,650,389	4,239,230	19,997,559	26,495,235	0	0	50,732,024
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Fiscal 2006				Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
			Other	Total			Other
							Total

If Senate Bill No. 320 is passed and approved in a form that does not require a programmatic EIS to be completed, Confined Animal Feeding Operations is void.

The department is authorized to decrease federal special revenue in the water pollution control and/or drinking water revolving loan programs and to increase state special revenue by a like amount within the special administration account when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes.

The department is authorized to expend up to 25% of subrogated petroleum tank release compensation funds to pay contract expenses associated with release subrogation activities. Expenditure of these funds is limited to the fee collected.

If Senate Bill No. 489 is not passed and approved, Orphan Share Feasibility Study is void.

If Senate Bill No. 143 is passed and approved, funding for the Remediation Division is increased by \$209,595 in state special revenue and funding for the Permitting and Compliance Division is increased by \$390,405 in state special revenue each year of the 2007 biennium.

If House Bill No. 60 is not passed and approved, Permitting and Compliance Division is decreased by \$131,397 in general fund money in fiscal year 2006 and by \$123,762 in general fund money in fiscal year 2007.

If House Bill No. 361 is not passed and approved, funding for the Permitting and Compliance Division is decreased by \$169,101 in state special revenue and by \$11,564 in federal special revenue in fiscal year 2006 and by \$159,563 in state special revenue and by \$11,404 in federal special revenue in fiscal year 2007.

If Senate Bill No. 320 is not passed and approved with an increase in application and renewal fees, Permitting and Compliance Division is reduced by \$43,800 in state special revenue in fiscal year 2006 and by \$57,900 in state special revenue in fiscal year 2007.

DEPARTMENT OF LIVESTOCK (5603)

1.	Centralized Services Program (01)	0	1,546,364	65,031	0	0	1,611,395	0	1,546,386	65,031	0	0	1,611,417
a.	Legislative Audit (Restricted/Biennial)	0	29,568	0	0	0	29,568	0	0	0	0	0	0
2.	Diagnostic Laboratory Program (03)	91,911	1,212,796	0	0	0	1,304,707	91,911	1,222,277	0	0	0	1,314,188
3.	Animal Health Division (04)	0	476,045	897,503	0	0	1,373,548	0	474,600	897,503	0	0	1,372,103
a.	Vehicle Replacement (OTO)												

	Fiscal 2006				Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
					Total			Total
4.	0	0	0	0	0	26,000	0	0
	Milk and Egg Program (05)							
	0	245,276	41,501	0	286,777	0	271,671	41,501
5.	Brands Enforcement Division (06)							
	0	2,584,340	0	0	2,584,340	0	2,581,576	0
6.	Meat and Poultry Inspection Program (10)							
	467,377	6,475	468,064	0	941,916	465,736	6,475	465,736
	a. FAIM Computers (OTO)							
	11,080	0	11,080	0	22,160	9,695	0	9,695
	b. Meat Inspector (OTO)							
	25,000	0	0	0	25,000	25,000	0	0
Total	595,368	6,100,864	1,483,179	0	8,179,411	592,342	6,128,985	1,479,466

The appropriation for Meat Inspector may be used only if approved by the director of the office of budget and program planning for additional FTE because of workload increases.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION (5706)

1.	Centralized Services (21)							
	1,835,431	467,854	80,632	0	2,383,917	1,843,628	467,770	83,256
	a. Legislative Audit (Restricted/Biennial)							
	106,508	0	0	0	106,508	0	0	0
	b. Phone System (Biennial/OTO)							
	7,500	7,500	0	0	15,000	7,500	7,500	0
2.	Oil and Gas Conservation Division (22)							
	0	1,770,568	0	0	1,770,568	0	1,784,990	0
	a. Education and Outreach (Biennial/OTO)							

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	62,500	0	0	0	62,500	0	62,500	0	0	0	62,500
b.		Exposition (Biennial)										
	0	7,500	0	0	0	7,500	0	7,500	0	0	0	7,500
c.		Public Access Data (OTO)										
	0	209,129	0	0	0	209,129	0	209,099	0	0	0	209,099
3.		Conservation and Resource Development Division (23)										
	1,271,964	2,663,603	267,263	0	0	4,202,830	1,272,682	2,664,515	276,413	0	0	4,213,610
a.		Grazing Districts (Biennial)										
	0	3,500	0	0	0	3,500	0	3,500	0	0	0	3,500
b.		CD Financial Assistance (Biennial)										
	0	47,168	0	0	0	47,168	0	48,263	0	0	0	48,263
c.		Irrigation Development (OTO)										
	0	150,000	0	0	0	150,000	0	150,000	0	0	0	150,000
d.		Missouri River Conservation District Council (OTO)										
	0	80,000	0	0	0	80,000	0	80,000	0	0	0	80,000
e.		Conservation District Assistance (OTO)										
	0	150,000	0	0	0	150,000	0	0	0	0	0	0
4.		Water Resources Division (24)										
	6,187,256	1,618,604	92,773	0	0	7,898,633	6,193,402	1,623,647	93,106	0	0	7,910,155
a.		Dam Rehabilitation (Restricted/Biennial/OTO)										
	0	165,000	0	0	0	165,000	0	165,000	0	0	0	165,000
b.		Preconstruction (Biennial/OTO)										
	0	206,800	0	0	0	206,800	0	206,800	0	0	0	206,800
c.		Well Contractors (Restricted/OTO)										
	0	16,800	0	0	0	16,800	0	16,800	0	0	0	16,800

		Fiscal 2006					Fiscal 2007					
General Fund		State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
d.	Optical Imaging (OTO)											
0		108,551	0	0	0	108,551	0	89,556	0	0	0	89,556
e.	Water Adjudication Database (Restricted/OTO)											
400,000		0	0	0	0	400,000	0	0	0	0	0	0
f.	Expedite Water Adjudication (Restricted/Biennial/OTO)											
600,000		0	0	0	0	600,000	1,000,000	0	0	0	0	1,000,000
g.	Broadwater Bridge (Restricted/Biennial/OTO)											
0		325,000	0	0	0	325,000	0	325,000	0	0	0	325,000
h.	Fisheries Mitigation (Biennial)											
0		43,000	0	0	0	43,000	0	43,000	0	0	0	43,000
i.	Water Adjudication (Biennial)											
0		1,991,600	0	0	0	1,991,600	0	1,991,600	0	0	0	1,991,600
j.	Clark Fork River Task Force (Biennial)											
0		12,500	0	0	0	12,500	0	12,500	0	0	0	12,500
5.	Reserved Water Rights Compact Commission (25)											
690,337		0	0	0	0	690,337	691,421	0	0	0	0	691,421
a.	Contracted Services (Restricted/Biennial/OTO)											
97,500		0	0	0	0	97,500	97,500	0	0	0	0	97,500
6.	Forestry and Trust Lands (35)											
7,777,587		12,759,904	1,547,294	0	0	22,084,785	7,795,741	12,793,053	1,549,133	0	0	22,137,927
a.	Trust Land Equipment (OTO)											
0		16,000	0	0	0	16,000	0	0	0	0	0	0
b.	Build UH-1 (OTO)											
200,000		0	0	0	0	200,000	0	0	0	0	0	0

<u>Fiscal 2006</u>				<u>Fiscal 2007</u>							
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total

Total	19,174,083	22,883,081	1,987,962	0	0	44,045,126	18,901,874	22,752,593	2,001,908	0	0	43,656,375
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The department is authorized to decrease state special revenue in the underground injection control program and increase federal special revenue by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue is to be spent before state special revenue.

The department is appropriated up to \$600,000 for the 2007 biennium from the state special revenue account established in 85-1-604 for the purchase of prior liens on property held as loan security as required by 85-1-618.

The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving loan programs and increase state special revenue by a like amount within the special administration account when:

- (1) the federal capitalization funds have been expended; or
- (2) federal funds and bond proceeds are used for other program purposes.

During the 2007 biennium, up to \$500,000 of funds in or to be deposited in the coal bed methane account is appropriated to the department for use by conservation districts in the case of an emergency, as defined in 76-15-903, for private landowners or water right holders who qualify for compensation and for conservation district services provided under the program.

If grazing fees are raised during the 2007 biennium, up to \$20,000 of funds in the grazing district account is appropriated to the grass conservation commission for contingency operations.

If House Bill No. 482 is not passed and approved, the Conservation and Resource Development Division is reduced by \$39,000 in state special revenue in both years of the biennium and CD Financial Assistance is reduced by \$13,048 in fiscal year 2006 and by \$14,145 in fiscal year 2007.

At the beginning of fiscal year 2006, \$150,000 of the amount in excess of \$100 million is transferred from the resource indemnity tax trust to the state special revenue fund for the conservation districts.

~~The department shall present a written report to the environmental quality council at each meeting during the 2007 biennium on the status of the water rights database projects and the water adjudication process.~~ The report must include the number and types of adjudications that have been completed on a monthly basis.

The department shall establish a proprietary account for the operations of the state nursery program.

If Senate Bill No. 138 is not passed and approved, Water Resources Division funding is decreased by \$56,454 in state special revenue in fiscal year 2006 and by \$61,404 in fiscal year 2007.

During the 2007 biennium, up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or

	Fiscal 2006				Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
rehabilitation of the Broadwater-Missouri diversion project.								
During the 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist.								
If House Bill No. 22 is not passed and approved, Water Adjudication funding is reduced by \$1,991,600 in state special revenue in each year of the biennium.								
DEPARTMENT OF AGRICULTURE (6201)								
1. Central Management Division (15)								
139,827	594,290	90,000	60,519	0	884,636	139,827	593,412	90,000
a. Legislative Audit (Restricted/Biennial)								60,429
38,461	0	0	0	0	38,461	0	0	0
b. Purchase Computer Software (OTO)								0
0	14,556	0	1,482	0	16,038	0	0	0
2. Agricultural Sciences Division (30)								
101,341	5,087,051	1,012,212	0	0	6,200,604	101,341	5,080,187	996,779
a. Noxious Weed Control (Biennial)								0
0	0	3,580,000	0	0	3,580,000	0	0	0
b. EPA Homeland Security Grant (Restricted/OTO)								
0	0	294,490	0	0	294,490	0	0	294,438
c. Ground Water Base Adjustment (Restricted/OTO)								
0	23,277	0	0	0	23,277	0	23,277	0
d. Analytical Lab Cost Adjustment (OTO)								
230,300	0	0	0	0	230,300	108,034	0	0
3. Agricultural Development Division (50)								
334,278	3,738,435	113,401	305,276	0	4,491,390	333,981	3,735,240	113,401
Total								

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
844,207	9,457,609	5,090,103	367,277	0	15,759,196	683,183	9,432,116	1,494,618	369,592	0	11,979,509	
The department shall present a report to the joint subcommittee on natural resources of the 2007 legislative session that compares the cost of leasing a vehicle from the department of transportation to purchasing a vehicle:												
If House Bill No. 482 is not passed and approved, the Agriculture Development Division is reduced by \$38,554 in state special revenue in fiscal year 2006 and by \$39,367 in state special revenue in fiscal year 2007.												
DEPARTMENT OF COMMERCE (6501)												
1.	Business Resources Division (51)											
1,701,642	230,034	3,797,862	0	0	5,729,538	1,704,909	231,030	3,794,584	0	0	5,730,523	
a.	Legislative Audit (Restricted/Biennial)											
3,885	1,155	3,884	0	0	8,924	0	0	0	0	0	0	0
b.	Economic Indian Development (Restricted/OTO)											
500,000	0	0	0	0	500,000	500,000	0	0	0	0	500,000	
c.	Worker Training (Restricted/Biennial/OTO)											
1,400,000	0	0	0	0	1,400,000	1,400,000	0	0	0	0	1,400,000	
d.	SBIR Federal Grant (OTO)											
0	0	200,000	0	0	200,000	0	0	0	0	0	0	0
e.	Made in Montana (Restricted/OTO)											
100,000	0	0	0	0	100,000	100,000	0	0	0	0	100,000	
f.	Main Street Program (OTO)											
0	125,000	0	0	0	125,000	0	125,000	0	0	0	125,000	
2.	Montana Promotion Division (52)											
0	750,000	0	0	0	750,000	0	750,000	0	0	0	750,000	
a.	Legislative Audit (Restricted/Biennial)											
0	19,386	0	0	0	19,386	0	0	0	0	0	0	0
3.	Community Development Division (60)											

	Fiscal 2006				Fiscal 2007							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
217,001		862,649	7,931,971	0	0	9,011,621	220,000	862,779	7,929,866	0	0	9,012,645
a.		Legislative Audit (Restricted/Biennial)										
2,999		2,097	3,000	0	0	8,096	0	0	0	0	0	0
b.		Coal Board Local Impact Grants (Biennial)										
0		1,672,453	0	0	0	1,672,453	0	0	0	0	0	0
4.		Housing Division (74)										
0		0	5,880,420	0	0	5,880,420	0	0	6,130,146	0	0	6,130,146
a.		Legislative Audit (Restricted/Biennial)										
0		0	5,534	0	0	5,534	0	0	0	0	0	0
5.		Director's Office/Management Services Division (81)										
0		0	475,000	0	0	475,000	0	0	475,000	0	0	475,000
Total												

The department shall present a written report every 6 months beginning December 1, 2005, to the economic affairs interim committee on the status of grants and program implementation of the worker training program and the Indian country economic development program.

If House Bill No. 249 is not passed and approved, funding for Economic Indian Development is decreased by \$25,000 in general fund money in fiscal year 2006 and fiscal year 2007 and funding for Business Resources Division is increased by \$25,000 in general fund money in fiscal year 2006 and fiscal year 2007 and restricted to eastern plains RC&D community projects.

If House Bill No. 482 is not passed and approved, Coal Board Local Impact Grants is reduced by \$140,259 in fiscal year 2006.

TOTAL SECTION C

28,781,551	112,293,592	79,055,314	367,277	0	220,497,734	28,341,538	98,516,162	68,044,259	369,592	0	195,271,551
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Fiscal 2006					Fiscal 2007					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
D. CORRECTIONS AND PUBLIC SAFETY										
CRIME CONTROL DIVISION (4107)										
1.	Justice System Support Service (01)									
1,720,172	93,483	693,878	0	2,507,533	1,717,425	93,483	691,935	0	0	2,502,843
a.	Federal Pass-Through Grants (Biennial)									
0	0	12,896,032	0	12,896,032	0	0	12,897,832	0	0	12,897,832
Total										

All remaining federal pass-through grants appropriations, including reversion, for the 2005 biennium are authorized to continue and are appropriated in fiscal year 2006 and fiscal year 2007.

If House Bill No. 476 is not passed and approved, Justice System Support Service is reduced by \$93,483 in state special revenue in each fiscal year of the 2007 biennium.

DEPARTMENT OF JUSTICE (4110)

1. Legal Services Division (01)										
3,571,073	313,534	442,453	0	4,327,060	3,570,279	314,424	442,368	0	0	4,327,071
a. Major Litigation (Biennial)										
400,000	0	0	0	400,000	0	0	0	0	0	0
b. Water Court Claims (Biennial/OTO)										
0	49,000	0	0	49,000	0	49,000	0	0	0	49,000
2. Office of Consumer Protection (02)										
785	496,118	0	0	496,903	1,400	495,843	0	0	0	497,243
3. Gambling Control Division (07)										
0	2,133,209	0	826,070	2,959,279	0	2,134,189	0	826,498	0	2,960,687
a. Accounting/Reporting System (Restricted/Biennial/OTO)										
0	1,065,000	0	435,000	1,500,000	0	0	0	0	0	0

		Fiscal 2006				Fiscal 2007			
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
					Other	Total			Other
									Total
4.	Motor Vehicle Division (12)								
	5,388,911	3,729,602	0	0	0	9,118,513	5,397,570	3,735,314	0
a.	HB 577 Interest (Biennial)								
	0	210,000	0	0	0	210,000	0	0	0
b.	HB 261 Interest (Restricted/Biennial)								
	0	1,200,000	0	0	0	1,200,000	0	0	0
c.	Reissue License Plates (OTO)								
	192,470	0	0	0	0	192,470	0	0	0
d.	Website Fees (Biennial)								
	0	0	0	50,000	0	50,000	0	0	0
e.	Support Patriot Act (OTO)								
	101,180	0	0	0	0	101,180	95,138	0	0
f.	Revising Motor Vehicle Laws -- HB 671								
	0	0	0	262,500	0	262,500	0	0	525,000
g.	Revising Motor Vehicle Laws -- SB 285								
	47,813	0	0	0	0	47,813	44,837	0	0
h.	Programming Costs -- Motor Vehicle Legislation (Restricted/OTO)								
	30,716	20,478	0	0	0	51,194	0	0	0
i.	Quadcycles Registration (OTO)								
	9,184	6,122	0	0	0	15,306	0	0	0
5.	Highway Patrol Division (13)								
	573,623	19,343,696	288,108	0	0	20,205,427	764,562	19,534,058	0
a.	Prisoner Per Diem (Biennial)								
	0	1,988,342	0	0	0	1,988,342	0	0	0
6.	Division of Criminal Investigation (18)								

		Fiscal 2006				Fiscal 2007							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
3,542,285	1,524,729	1,170,723	0	0	6,237,737	3,672,480	1,491,457	1,191,710	0	0	6,355,647		
a.	Miles City Narcotics Agent (OTO)												
61,451	0	0	0	0	61,451	0	0	0	0	0	0	0	0
b.	Medicaid Fraud Program (OTO)												
6,498	0	19,495	0	0	25,993	0	0	0	0	0	0	0	0
c.	Medicaid Fraud Agent (OTO)												
15,500	0	46,500	0	0	62,000	15,500	0	46,500	0	0	62,000		
d.	Adjustment to Base (OTO)												
42,000	0	0	0	0	42,000	0	0	0	0	0	0	0	0
7.	County Attorney Payroll (19)												
1,912,588	0	0	0	0	1,912,588	1,961,244	0	0	0	0	1,961,244		
8.	Central Services Division (28)												
330,753	521,406	0	55,185	0	907,344	334,048	521,065	0	52,730	0	907,843		
a.	Legislative Audit (Restricted/Biennial)												
26,715	34,172	0	1,243	0	62,130	0	0	0	0	0	0	0	0
9.	Information Technology Services Division (29)												
2,916,655	1,410,520	80,902	13,321	0	4,421,398	2,916,731	1,411,844	80,715	13,321	0	4,422,611		
a.	Criminal History Data Coordination (Restricted/Biennial/OTO)												
0	250,000	0	0	0	250,000	0	0	0	0	0	0	0	0
10.	Forensic Sciences Division (32)												
2,753,013	303,204	91,134	0	0	3,147,351	2,756,224	303,204	91,265	0	0	3,150,693		
a.	Requiring Felons to Submit DNA Samples -- HB 113 (Biennial)												
0	0	409,480	0	0	409,480	0	0	0	0	0	0	0	0
Total													

	<u>Fiscal 2006</u>				<u>Fiscal 2007</u>			
	General Fund	State Special Revenue	Federal Special Revenue	<u>Propri- etary</u>	Total	General Fund	State Special Revenue	Federal Special Revenue
21,923,213	34,599,132	2,548,795	1,643,319	0	60,714,459	21,530,013	29,990,398	1,852,558
								1,417,549
								0
								54,790,518

If House Bill No. 782 is not passed and approved, Water Court Claims is void in its entirety.

If House Bill No. 425 is not passed and approved, then Office of Consumer Protection is decreased by \$785 in general fund money and \$496,118 in state special revenue in fiscal year 2006 and by \$1,400 in general fund money and \$495,843 in state special revenue in fiscal year 2007, which reflects the current appropriations for administration and enforcement functions relating to unfair trade practices and consumer protection and telemarketing laws in the consumer protection office in the department of administration. The legislative fiscal division and the office of budget and program planning are authorized to transfer all fiscal year 2004 expenditures and fiscal year 2005 appropriations from the department of administration to the department of justice for the purpose of display in the legislative fiscal division 2007 biennium fiscal report.

At the beginning of fiscal year 2006, \$98,000 of the amount in excess of the \$100 million base amount that cannot be used for other purposes is transferred from the resource indemnity tax trust to state special revenue for the attorney general's office.

If House Bill No. 102 is not passed and approved, there is appropriated up to \$1,200,000 each fiscal year from the highway patrol retirement clearing account to the department for payments to the Montana highway patrol pension fund.

If House Bill No. 99 is not passed and approved, Prisoner Per Diem is reduced by \$573,623 in general fund money in fiscal year 2006 and by \$764,562 in general fund money in fiscal year 2007.

~~The department shall prepare an economic analysis that compares the value of a purchase by the state versus the continued lease by the state of the forensic lab facility located in Missoula. The department shall present this analysis to the legislative finance committee at its first meeting following July 1, 2005.~~

The legislature approved the attorney general's request for 2 FTE and general fund money of \$101,180 in fiscal year 2006 and \$95,138 in fiscal year 2007 to support the Patriot Act. These FTE will provide auditing and public contact services regarding issues surrounding the Patriot Act. This approval is contingent upon a current level fund transfer by the department and verified by the budget director.

The legislature approved the attorney general's request for 1 FTE and general fund money of \$61,451 in fiscal year 2006 to support the Miles City narcotics program. This approval is contingent upon a current level fund transfer by the department and verified by the budget director.

The legislature approved the attorney general's request for \$6,498 in general fund money and \$19,495 in federal funds in fiscal year 2006 to support the medicaid fraud program. This approval is contingent upon passage and approval of House Bill No. 102.

The legislature approved the attorney general's request for 1 FTE and \$15,500 of general fund money and \$46,500 in federal funds in fiscal year 2006 and \$15,500 of general fund money and \$46,500 in federal funds in fiscal year 2007 to support a medicaid fraud agent and the fraud program. This approval is contingent upon passage and approval of House Bill No. 102.

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
The legislature approved the attorney general's request for \$42,000 in general fund money in fiscal year 2006 to the department of criminal investigation's base budget. This approval is contingent upon passage and approval of House Bill No. 102.												
If Senate Bill No. 282 is not passed and approved, Division of Criminal Investigation is reduced by \$16,760 in state special revenue in fiscal year 2006 and by \$5,760 in state special revenue in fiscal year 2007.												
Revising Motor Vehicle Laws -- HB 671 is contingent upon passage and approval of House Bill No. 671.												
Revising Motor Vehicle Laws -- SB 285 is contingent upon passage and approval of Senate Bill No. 285.												
If House Bill No. 192 is not passed and approved, Programming Costs -- Motor Vehicle Legislation is reduced by \$8,496 in general fund money and by \$5,664 in state special revenue in fiscal year 2006.												
If House Bill No. 541 is not passed and approved, Programming Costs -- Motor Vehicle Legislation is reduced by \$2,508 in general fund money and by \$1,672 in state special revenue in fiscal year 2006.												
If House Bill No. 673 is not passed and approved, Programming Costs -- Motor Vehicle Legislation is reduced by \$6,696 in general fund money and by \$4,464 in state special revenue in fiscal year 2006.												
If Senate Bill No. 423 is not passed and approved, Programming Costs -- Motor Vehicle Legislation is reduced by \$4,188 in general fund money and by \$2,792 in state special revenue in fiscal year 2006.												
If Senate Bill No. 518 is not passed and approved, Programming Costs -- Motor Vehicle Legislation is reduced by \$8,828 in general fund money and by \$5,886 in state special revenue in fiscal year 2006.												
If Senate Bill No. 318 is not passed and approved, Quadricycles Registration is void in its entirety.												
PUBLIC SERVICE COMMISSION (4201)												
1.	Public Service Regulation Program (01)											
	0	2,751,260	13,732	0	0	2,764,992	0	2,755,335	13,732	0	0	2,769,067
a.	Legislative Audit (Restricted/Biennial)											
	0	20,710	0	0	0	20,710	0	0	0	0	0	0
b.	Computer Replacement (Restricted/OTO)											
	0	48,274	0	0	0	48,274	0	4,095	0	0	0	4,095
c.	New Commissioner Training (OTO)											

	Fiscal 2006				Fiscal 2007							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
0		4,000	0	0	0	4,000	0	4,000	0	0	0	4,000
d. Consultant Funds (Biennial)												
0		50,000	0	0	0	50,000	0	50,000	0	0	0	50,000
Total												
0	2,874,244		13,732	0	0	2,887,976	0	2,813,430	13,732	0	0	2,827,162
DEPARTMENT OF CORRECTIONS (6401)												
1. Administration and Support Services (01)												
9,948,071	243,938		0	56,279	0	10,248,288	9,899,088	231,183	0	50,120	0	10,180,391
a. Legislative Audit (Restricted/Biennial)												
94,674	0	0	0	0	0	94,674	0	0	0	0	0	0
2. Community Corrections (02)												
29,545,835	530,002		0	0	0	30,075,837	32,643,886	530,002	0	0	0	33,173,888
3. Secure Facilities (03) (Biennial)												
55,677,904	1,239,351	93,584	0	0	0	57,010,839	58,473,128	1,239,351	93,584	0	0	59,806,063
4. Montana Correctional Enterprises (04)												
1,596,587	0	0	431,518	0	0	2,028,105	1,595,438	0	0	431,534	0	2,026,972
a. License Plate Reissue (Restricted/OTO)												
3,853,751	0	0	0	0	0	3,853,751	496,837	0	0	0	0	496,837
5. Juvenile Corrections (05)												
10,243,060	288,378	432,976	0	0	0	10,964,414	10,247,817	288,378	432,976	0	0	10,969,171
a. Juvenile Placement Funds (Restricted)												
7,542,344	418,443	28,292	0	0	0	7,989,079	7,542,344	418,443	28,292	0	0	7,989,079
Total												

Fiscal 2006

Fiscal 2007

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
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118,502,226 2,720,112 554,852 487,797 0 122,264,987 120,898,538 2,707,357 554,852 481,654 0 124,642,401

The department shall report annually to the legislative finance committee by September 15 on the amounts collected by the restitution unit; the amounts disbursed to victims of crime by that unit; and the cost to administer the program:

If Senate Bill No. 426 is not passed and approved, Administration and Support Services is reduced by \$20,000 in general fund money in fiscal year 2006.

If Senate Bill No. 146 is not passed and approved, Administration and Support Services is increased by \$50,141 in general fund money in fiscal year 2007.

The department shall report to the legislative finance committee, the law and justice interim committee, the governor, and the corrections advisory council by December 31, 2006, the results of any performance audit done on any pre-release center, regional prison, or private prison:

If House Bill No. 288 is not passed and approved, Administration and Support Services is reduced by \$122,339 in state special revenue in fiscal year 2006 and by \$112,635 in state special revenue in fiscal year 2007.

If the department determines through forecasts that it will experience a shortfall in the general fund appropriation in either fiscal year of the 2007 biennium for secure facilities, the department may transfer up to \$1,500,000 in general fund money that is available and unencumbered in that fiscal year from Juvenile Placement Funds (Restricted) to Secure Facilities (03).

DEPARTMENT OF LABOR AND INDUSTRY (6602)

1. Workforce Services Division (01)

525,045	8,482,799	24,074,562	0	0	33,082,406	524,422	8,643,287	23,873,074	0	0	33,040,783
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2. Unemployment Insurance Division (02)

0	660,023	8,811,624	0	0	9,471,647	0	660,023	8,809,374	0	0	9,469,397
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 - a. SUTA Dumping (OTO)

0	0	17,250	0	0	17,250	0	0	0	0	0	0
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3. Commissioner's Office/Centralized Services Division (03)

194,140	762,025	461,557	80,207	0	1,497,929	193,775	762,600	463,383	79,348	0	1,499,106
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4. Employment Relations Division (04)

856,859	7,426,562	635,912	0	0	8,919,333	857,056	7,422,121	638,070	0	0	8,917,247
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 - a. INGENIX Software Purchase (OTO)

0	50,000	0	0	0	50,000	0	0	0	0	0	0
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	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
5.	Business Standards Division (05)											
	0	11,930,204	0	0	0	11,930,204	0	11,935,642	0	0	0	11,935,642
6.	Montana Community Services (07)											
	37,462	0	2,404,135	0	0	2,441,597	60,514	0	2,405,083	0	0	2,465,597
7.	Workers' Compensation Court (09)											
	0	554,135	0	0	0	554,135	0	554,376	0	0	0	554,376
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Total	1,613,506	29,865,748	36,405,040	80,207	0	67,964,501	1,635,767	29,978,049	36,188,984	79,348	0	67,882,148
SUTA Dumping is contingent upon passage and approval of House Bill No. 159.												
If Senate Bill No. 108 is not passed and approved, Employment Relations Division is reduced by \$812,490 in state special revenue in fiscal year 2006 and by \$792,954 in state special revenue in fiscal year 2007.												
If House Bill No. 406 is not passed and approved, Business Standards Division is reduced by \$26,784 in state special revenue in fiscal years 2006 and 2007.												
If Senate Bill No. 412 is not passed and approved, Business Standards Division is reduced by \$75,240 in state special revenue in fiscal year 2006 and by \$10,150 in state special revenue in fiscal year 2007.												
DEPARTMENT OF MILITARY AFFAIRS (6701)												
1.	Centralized Services (01)											
	450,617	0	187,943	0	0	638,560	438,018	0	199,269	0	0	637,287
a.	Legislative Audit (Restricted/Biennial)											
	1,774	0	0	0	0	1,774	0	0	0	0	0	0
2.	Challenge Program (02)											
	1,109,832	0	1,664,747	0	0	2,774,579	1,109,512	0	1,664,267	0	0	2,773,779
a.	Legislative Audit (Restricted/Biennial)											
	2,367	0	3,550	0	0	5,917	0	0	0	0	0	0
3.	National Guard Scholarship Program (03)											

	Fiscal 2006				Fiscal 2007							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
a.	Scholarship Program (Restricted/Biennial)											
250,000	0	0	0	0	0	250,000	250,000	0	0	0	0	250,000
4.	Army National Guard Program (12)											
1,190,975	26,300	5,934,396	0	0	0	7,151,671	1,213,002	101,300	5,993,318	0	0	7,307,620
a.	Legislative Audit (Restricted/Biennial)											
3,551	0	22,486	0	0	0	26,037	0	0	0	0	0	0
5.	Air National Guard Program (13)											
312,343	0	2,740,064	0	0	0	3,052,407	310,191	0	2,740,957	0	0	3,051,148
a.	Legislative Audit (Restricted/Biennial)											
592	0	5,325	0	0	0	5,917	0	0	0	0	0	0
6.	Disaster and Emergency Services (21)											
628,114	114,437	1,771,067	0	0	0	2,513,618	621,864	114,437	1,778,715	0	0	2,515,016
a.	Legislative Audit (Restricted/Biennial)											
1,183	0	15,385	0	0	0	16,568	0	0	0	0	0	0
7.	Veterans' Affairs Program (31)											
658,159	867,927	0	0	0	0	1,526,086	659,551	866,963	0	0	0	1,526,514
a.	Legislative Audit (Restricted/Biennial)											
1,646	1,312	0	0	0	0	2,958	0	0	0	0	0	0
b.	Purchase Mobile Van (OTO)											
0	75,000	0	0	0	0	75,000	0	0	0	0	0	0
c.	Liberty House Project (Restricted)											
100,000	0	0	0	0	0	100,000	0	0	0	0	0	0
Total												
4,711,153	1,084,976	12,344,963	0	0	0	18,141,092	4,602,138	1,082,700	12,376,526	0	0	18,061,364

Fiscal 2006			Fiscal 2007			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	Total

The Liberty House Project may be used only for the purpose of constructing a liberty house at Fort Harrison VA medical center.

TOTAL SECTION D						
148,470,270	71,237,695	65,457,292	2,211,323	0	287,376,580	150,383,881
					66,665,417	64,576,419
					1,978,551	0
						283,604,268

		<u>Fiscal 2006</u>			<u>Fiscal 2007</u>		
		State Special Revenue	Federal Special Revenue	Propri- etary	State Special Revenue	Federal Special Revenue	Propri- etary
		<u>General Fund</u>	<u>Total</u>	<u>Other</u>	<u>General Fund</u>	<u>Total</u>	<u>Other</u>

E. EDUCATION

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION (3501)

1.	OPI Administration (06)						
		4,702,474	217,779	11,899,897	0	0	0
	a. Indian Education for All (Biennial)						
		1,155,423	0	0	0	0	0
	b. Special Ed Audiology (OTO)						
		85,000	0	0	0	0	0
	c. Student Information Data System (Biennial/OTO)						
		2,455,026	0	0	0	0	0
2.	Distribution to Public Schools (09)						
		0	0	133,537,139	0	0	0
	a. Base Aid (Restricted)						
		432,454,324	0	0	0	0	0
	b. Special Education (Restricted)						
		38,506,122	0	0	0	0	0
	c. Transportation Aid (Restricted)						
		12,142,550	0	0	0	0	0
	d. School Facility Reimbursement (Restricted)						
		9,411,293	0	0	0	0	0
	e. In-State Treatment (Restricted)						
		974,896	0	0	0	0	0
	f. Secondary Vocational Education (Restricted)						
		1,000,000	0	0	0	0	0
	g. Adult Basic Education (Restricted)						

	Fiscal 2006					Fiscal 2007						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
275,000		0	0	0	0	275,000	275,000	0	0	0	0	275,000
h. Gifted and Talented (Restricted)												
250,000		0	0	0	0	250,000	250,000	0	0	0	0	250,000
i. School Food (Restricted)												
648,653		0	0	0	0	648,653	648,653	0	0	0	0	648,653
j. School District Audits (Restricted)												
151,356		0	0	0	0	151,356	154,370	0	0	0	0	154,370
k. HB 124 Block Grants (Restricted)												
50,213,191		0	0	0	0	50,213,191	50,594,815	0	0	0	0	50,594,815
l. School Facility Increase (Restricted/OTO)												
987,842		0	0	0	0	987,842	987,842	0	0	0	0	987,842
m. Indian Education for All (Restricted)												
550,000		0	0	0	0	550,000	550,000	0	0	0	0	550,000
n. Traffic Safety Distribution												
0		750,000	0	0	0	750,000	0	750,000	0	0	0	750,000
Total												

The office of public instruction may distribute funds from the appropriation for in-state treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.

All appropriations for federal special revenue programs in state level activities and in local educational activities and all general fund appropriations in local educational activities are biennial.

The office of public instruction shall include as a part of its work plan priorities for the next biennium the prevention of dropouts and the reduction of dropout rates in Montana's

	Fiscal 2006				Total	General Fund	State Special Revenue	Fiscal 2007			Total
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary				Proprietary	State Special Revenue	Federal Special Revenue	
public schools and report on these efforts to the education and local government interim committee before September 1, 2006:											
Base Aid will be decreased by \$183,000 in fiscal year 2007 if Senate Bill No. 48 is not passed and approved. Base Aid will be decreased in fiscal year 2006 by \$5,008 if House Bill No. 22 is not passed and approved. Base Aid will be decreased by \$21,200 in fiscal year 2007 if Senate Bill No. 296 is not passed and approved. Base Aid will be increased by \$700 in fiscal year 2006 and by \$263,400 in fiscal year 2007 if Senate Bill No. 276 is not passed and approved.											
BOARD OF PUBLIC EDUCATION (5101)											
1.	Administration (01)										
	164,969	21,388	0	0	0	186,357	165,348	21,388	0	0	186,736
	a. Legislative Audit (Restricted/Biennial)										
	2,323	0	0	0	0	2,323	0	0	0	0	0
2.	Advisory Council (03)										
	0	173,641	0	0	0	173,641	0	173,657	0	0	173,657
	a. Legislative Audit (Restricted/Biennial)										
	0	1,711	0	0	0	1,711	0	0	0	0	0
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Total	167,292	196,740	0	0	0	364,032	165,348	195,045	0	0	360,393
SCHOOL FOR THE DEAF AND BLIND (5113)											
1.	Administration Program (01)										
	337,701	439	0	0	0	338,140	337,559	439	0	0	337,998
	a. Legislative Audit (Restricted/Biennial)										
	25,552	0	0	0	0	25,552	0	0	0	0	0
2.	General Services Program (02)										
	488,752	0	0	0	0	488,752	482,700	0	0	0	482,700
3.	Student Services (03)										
	1,171,703	0	29,111	0	0	1,200,814	1,175,580	0	29,111	0	1,204,691

Fiscal 2006							Fiscal 2007					
		<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Propri- etary</u>	<u>Other</u>	<u>Total</u>	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Propri- etary</u>	<u>Other</u>	<u>Total</u>
4.	Education (04)											
	2,349,253	282,313	73,754	0	0	2,705,320	2,344,367	282,313	73,754	0	0	2,700,434
<hr/>												
Total		4,372,961	282,752	102,865	0	4,758,578	4,340,206	282,752	102,865	0	0	4,725,823
MONTANA ARTS COUNCIL (5114)												
1.	Promotion of the Arts (01)											
	382,125	180,978	617,734	0	0	1,180,837	375,905	182,702	617,734	0	0	1,176,341
a.	Legislative Audit (Restricted/Biennial)											
	19,231	0	0	0	0	19,231	0	0	0	0	0	0
b.	Additional Money for Loss of C&A Interest (Restricted/OTO)											
	100,275	0	0	0	0	100,275	0	0	0	0	0	0
c.	E-Grants and Database System (Restricted/OTO)											
	5,000	0	0	0	0	5,000	5,000	0	0	0	0	5,000
<hr/>												
Total		506,631	180,978	617,734	0	1,305,343	380,905	182,702	617,734	0	0	1,181,341

All federal funds in Montana Arts Council are biennial appropriations.

MONTANA STATE LIBRARY COMMISSION (5115)

1.	Statewide Library Resources (01)											
	1,759,342	1,081,518	1,180,694	0	0	4,021,554	1,560,479	1,082,210	780,694	0	0	3,423,383
a.	Legislative Audit (Restricted/Biennial)											
	17,751	0	0	0	0	17,751	0	0	0	0	0	0
b.	Computer Equipment Upgrade (Restricted/OTO)											
	70,000	0	0	0	0	70,000	0	0	0	0	0	0

		Fiscal 2006				Fiscal 2007							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
<hr/>													
Total		1,847,093	1,081,518	1,180,694	0	0	4,109,305	1,560,479	1,082,210	780,694	0	0	3,423,383
Montana State Library Commission funding includes biennial appropriations of \$205,662 in general fund money and \$800,000 in federal funds for grants to local libraries.													
If House Bill No. 482 is not passed and approved, Statewide Library Resources is reduced by \$32,771 in state special revenue in fiscal year 2006 and by \$33,462 in state special revenue in fiscal year 2007.													
MONTANA HISTORICAL SOCIETY (5117)													
1.	Administration Program (01)												
		929,586	79,665	133,432	439,604	0	1,582,287	938,819	78,529	133,369	431,086	0	1,581,803
a.	Legislative Audit (Restricted/Biennial)												
		29,586	0	0	0	0	29,586	0	0	0	0	0	0
b.	Computer Equipment Replacement (Restricted/Biennial/OTO)												
		55,074	0	0	0	0	55,074	0	0	0	0	0	0
c.	Computer Server (Restricted/Biennial/OTO)												
		20,000	0	0	0	0	20,000	0	0	0	0	0	0
2.	Library Program (02)												
		743,513	2,624	0	66,970	0	813,107	743,517	2,680	0	66,962	0	813,159
3.	Museum Program (03)												
		184,830	55,584	0	11,615	0	252,029	184,825	55,583	0	11,614	0	252,022
4.	Publications (04)												
		50,503	0	0	435,825	0	486,328	50,671	0	0	435,921	0	486,592
5.	Historic Preservation Program (06)												
		40,819	0	658,109	5,000	0	703,928	41,170	0	657,420	5,000	0	703,590
<hr/>													
Total													

	<u>Fiscal 2006</u>				<u>Fiscal 2007</u>				
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	
				Other	Total			Other	Total

2,053,911 137,873 791,541 959,014 0 3,942,339 1,959,002 136,792 790,789 950,583 0 3,837,166

It is the intent of the legislature that the department of commerce use lodging facility use taxes to fund \$625,703 in fiscal year 2006 and \$521,562 in fiscal year 2007 for the

Montana historical society. This would be expended as follows:

Historical Interpretation	\$197,631	\$190,392							
Scriber Collection	128,072	131,170							
Lewis and Clark Exhibit and Interpretation	100,000	100,000							
Lewis and Clark Bicentennial Commission	200,000	100,000							

The Lewis and Clark bicentennial commission intends to terminate its activities December 31, 2006, reducing the need for lodging facility use tax in fiscal year 2007 to \$100,000.

MONTANA UNIVERSITY SYSTEM, INCLUDING OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION AND EDUCATIONAL UNITS AND AGENCIES (\$100)

1. OCHE -- Administration (01)

1,469,876	25,000	0	0	0	1,494,876	1,482,621	25,000	0	0	0	1,507,621
a. Legislative Audit (Restricted/Biennial)											
34,023	0	0	0	0	34,023	0	0	0	0	0	0
b. Potential Rent Increase (Restricted/Biennial)											
50,000	0	0	0	0	50,000	50,000	0	0	0	0	50,000

2. OCHE -- Student Assistance (02)

3,804,554	0	225,773	0	0	4,030,327	3,804,554	0	225,773	0	0	4,030,327
a. WICHE/WWAMI/MN Dental Program (Restricted)											
5,012,434	0	0	0	0	5,012,434	5,241,666	0	0	0	0	5,241,666
b. Governor's Postsecondary Scholarship Program											
522,000	0	0	0	0	522,000	1,022,000	0	0	0	0	1,022,000
c. Increase MHEG Student Financial (Biennial/OTO)											
470,000	0	0	0	0	470,000	0	0	0	0	0	0

3. OCHE -- Improving Teacher Quality [formerly Dwight D. Eisenhower Mathematics and Science Education Act] (03)

0	0	362,946	0	0	362,946	0	0	362,946	0	0	362,946
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		Fiscal 2006				General Fund	Total	Fiscal 2007			
		State Special Revenue	Federal Special Revenue	Proprietary	Other			State Special Revenue	Federal Special Revenue	Proprietary	Other
4.	OCHE -- Community College Assistance (04) (Biennial)										
	7,255,219	0	0	0	0	7,255,219	7,255,219	7,638,524	0	0	0
	a. Legislative Audit (Restricted/Biennial)										
	21,200	0	0	0	0	21,200	21,200	0	0	0	0
	b. Community College Assistance Special Funding (OTO)										
	450,000	0	0	0	0	450,000	450,000	0	0	0	0
5.	OCHE -- Talent Search (06)										
	99,761	0	3,105,037	0	0	3,204,798	3,204,798	100,531	0	3,105,024	0
	a. Montana Conference on Race (Biennial)										
	0	50,000	0	0	0	50,000	50,000	0	0	0	0
6.	OCHE -- C.D. Perkins Administration (08)										
	90,414	0	6,272,301	0	0	6,362,715	6,362,715	93,108	0	6,147,301	0
7.	OCHE -- Appropriation Distribution Transfers (09)										
	107,760,789	13,373,391	0	0	0	121,134,180	121,134,180	107,716,785	13,648,111	0	0
	a. Legislative Audit (Restricted/Biennial)										
	544,376	0	0	0	0	544,376	544,376	0	0	0	0
	b. Equipment/Program Development -- 2-Year Degree Programs (Restricted/Biennial/OTO)										
	1,960,678	0	0	0	0	1,960,678	1,960,678	2,500,000	0	0	0
	c. Class 8 Threshold -- Business Tax Exemption										
	11,610	0	0	0	0	11,610	11,610	30,889	0	0	0
	d. Distance Learning Initiative (Biennial/OTO)										
	300,000	0	0	0	0	300,000	300,000	0	0	0	0
	e. Agricultural Experiment Station										
	10,311,165	0	0	0	0	10,311,165	10,311,165	10,321,121	0	0	0
	f. Extension Service										

		Fiscal 2006				Fiscal 2007							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
4,783,103			0	0	0	0	4,783,103	4,871,848	0	0	0	0	4,871,848
g.	Forest and Conservation Experiment Station												
971,324			0	0	0	0	971,324	968,731	0	0	0	0	968,731
h.	Bureau of Mines and Geology												
1,693,291			666,000	0	0	0	2,359,291	1,692,258	666,000	0	0	0	2,358,258
i.	Bureau Ground Water Program (OTO)												
0			64,697	0	0	0	64,697	0	69,038	0	0	0	69,038
j.	Fire Services Training School												
582,015			0	0	0	0	582,015	580,010	0	0	0	0	580,010
k.	Family Practice Residency Program												
319,366			0	0	0	0	319,366	319,366	0	0	0	0	319,366
l.	Motorcycle Safety Training Program												
0			220,000	0	0	0	220,000	0	220,000	0	0	0	220,000
m.	Institute for Biobased Products and Food Science @ AES												
200,000			0	0	0	0	200,000	200,000	0	0	0	0	200,000
n.	Dental Hygiene Program @ Great Falls-COT (Restricted)												
235,000			0	0	0	0	235,000	235,000	0	0	0	0	235,000
o.	New Extension Agent for Meagher County (Restricted)												
35,103			0	0	0	0	35,103	35,103	0	0	0	0	35,103
p.	Yellow Bay Biological Station (Restricted)												
100,000			0	0	0	0	100,000	100,000	0	0	0	0	100,000
8.	Tribal College Assistance Program (11) (Biennial)												
400,000			0	0	0	0	400,000	0	0	0	0	0	0
a.	Enhancing Tribal College Assistance Program (Biennial/OTO)												
1,000,000			0	0	0	0	1,000,000	1,000,000	0	0	0	0	1,000,000

Fiscal 2006

Fiscal 2007

	Fiscal 2006			Fiscal 2007			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund
b. Special Nonbeneficiary Student Assistance (Biennial/OTO)							
500,000	0	0	0	0	0	500,000	0
9. OCHE -- Guaranteed Student Loan (12)							
0	0	34,745,685	0	0	0	34,745,685	0
a. Legislative Audit (Restricted/Biennial)							
0	0	13,314	0	0	0	13,314	0
10. OCHE -- Board of Regents (13)							
44,485	0	0	0	0	0	44,485	44,485
Total	151,031,786	14,399,088	44,725,056	0	0	210,155,930	150,498,600

Items designated as OCHE Administration (01), Student Assistance (02), Improving Teacher Quality (formerly Dwight D. Eisenhower) (03), Talent Search (06), C.D. Perkins (Workforce development) (08), Appropriation Distribution (Educational units) (09) [excluding Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, Bureau Ground Water Program, Fire Services Training School, and Institute for Biobased Products and Food Science @ AES], Guaranteed Student Loan (12), and the Board of Regents (13) are a single biennial lump-sum appropriation.

General fund money and state and federal special revenue funds appropriated to the board of regents are included in all commissioner of higher education programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill No. 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy.

In addition to the requirements in 17-1-102(4), all university system units, except the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the standards of accounting and reporting, as described by the national association of college and university business officers, as a minimum for achieving consistency.

The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g. The Montana

Fiscal 2006			Fiscal 2007		
General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
					Proprietary
			Total	Other	Total

university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the Montana Budgeting and Reporting System (MBARS). The salary and benefit data provided must reflect approved board of regents operating budgets.

The legislature encourages the Montana university system/commissioner of higher education to explore and establish partnerships with the department of public health and human services, including the temporary assistance for needy families (TANF) program, to ensure access to quality postsecondary education and training opportunities for families in Montana who would benefit from such training to help them move toward economic self-sufficiency. ~~The Montana university system/commissioner of higher education shall submit a report to the next legislature, by January 1, 2007, addressing what these strategies were and the results of these partnership efforts:~~

~~_____The Montana university system shall prepare a plan for implementation of Indian education for all Montanans within the educational units of the university system and present this plan to the appropriate interim committee by July 31, 2006.~~

Potential Rent Increase funding is restricted for expenditure only in the event of a relocation and only if a rent increase actually occurs and may be used only for increased rent and/or relocation and moving costs.

WICHE/WWAMI/MN Dental Program is restricted such that any surplus funding may be transferred only to other student financial aid programs in Program 02.

Governor's Postsecondary Scholarship Program is contingent upon passage and approval of House Bill No. 435.

Of the amount in Governor's Postsecondary Scholarship Program, \$22,000 in fiscal year 2006 and \$22,000 in fiscal year 2007 are restricted for administration costs of the scholarship program.

The budget amount for each full-time equivalent student at the community colleges, including Summitnet, is \$5,203 each year of the 2007 biennium. The general fund appropriation for OCHE -- Community College Assistance provides 53% of the budget amount for each full-time equivalent student each year of the 2007 biennium. The remaining 47% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for OCHE -- Community College Assistance.

The general fund appropriation for OCHE -- Community College Assistance is calculated to fund education in the community colleges for an estimated 2,631 resident FTE students in fiscal year 2006 and 2,770 in fiscal year 2007. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the commissioner of higher education shall revert general fund money to the state in accordance with 17-7-142.

Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. Summitnet costs charged to the community colleges for each year may not exceed \$8,000 each for Dawson and Miles community colleges and \$9,000 for Flathead Valley community college.

Total audit costs are estimated to be \$40,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53% of the total audit costs in the 2007 biennium. The remaining 47% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit.

[illegible]

(2) federal revenue of \$1,992,807 in fiscal year 2006 and \$1,992,807 in fiscal year 2007; and

(3) sales revenue of \$1 million in fiscal year 2006 and \$1 million in fiscal year 2007.

Revenue anticipated to be received by the extension service includes:

(1) interest earnings of \$5,034 each year of the 2007 biennium; and

(2) federal revenue of \$2,254,555 in fiscal year 2006 and \$2,254,555 in fiscal year 2007.

Anticipated interest revenue of \$1,070 in each year of the 2007 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated sales revenue of \$35 700 each year of the 2007 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This

amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest revenue of \$943 each year of the 2007 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

The appropriation for Equipment/Program Development – 2-Year Degree Programs is a restricted, biennial, one-time-only appropriation that is to be distributed in two blocks as follows:

(1) \$1.4 million must be allocated equally (\$200,000 per unit) to the seven university units' 2-year degree programs to be used for either program development or equipment acquisition; and

(2) \$3,060,678 must be distributed entirely by a competitive grant process administered by the office of the commissioner of higher education. These equipment grants must be available to both the seven university units' 2-year degree programs and the three community colleges (Dawson, Miles, and Flathead Valley).

The \$3,060,678 general fund appropriation for equipment in Equipment/Program Development – 2-Year Degree Programs must be matched from nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education, must give scoring priority to grants that include matching funds. Matching funds may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source.

Class 8 Threshold – Business Tax Exemption finding is contingent upon passage and approval of Senate Bill No. 284.

Funding for OCHE -- Appropriation Distribution Transfers is increased by \$11,610 in state special revenue in fiscal year 2007 and by \$30,889 in state special revenue in fiscal year 2007 if Senate Bill No. 284 is not passed and approved.

[illegible]

Extension Service includes \$196,800 in general fund money for an extension cropping specialist and livestock specialist (2 FTE), which must be matched with \$49,200 in nonstate funds identified by the board of regents. Matched funds for these items may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source.

Bureau of Mines and Geology includes \$146,880 in general fund money for a coal/coalbed methane geologist (1 FTE), which must be matched with \$36,720 in nonstate funds identified by the board of regents. Matched funds for these items may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source.

At the beginning of fiscal year 2006, \$133,735 of the amount in excess of \$100 million is transferred from the resource indemnity tax trust to the state special revenue fund for the Bureau Ground Water Program.

New Extension Agent for Meagher County funding is contingent upon approval of a mill levy vote in Meagher County to approve the county matching funds for the new extension agent.

Yellow Bay Biological Station is restricted to laboratory work associated with Flathead basin water quality monitoring.

Enhancing Tribal College Assistance Program includes a requirement that the tribal colleges, through the commissioner of higher education, submit a report to the legislative finance committee by November 1, 2006, on the use of these funds and the status of the equipment and tribal history requirement as part of Indian education for all:

TOTAL SECTION E											
715,942,824	17,246,728	192,854,926	959,014	0	927,003,492	718,089,989	17,475,434	201,794,613	950,583	0	938,310,619
TOTAL STATE FUNDING											
1,301,160,894	548,675,945	1,601,462,686	13,154,826	500,000	3,464,954,351	1,303,334,655	536,162,391	1,642,446,794	12,909,485	500,000	3,495,353,325

Section 10. Rates. Internal service fund type fees and charges established by the legislature for the 2005 biennium in compliance with 17-7-123(1)(f)(ii) are as follows:

Fiscal 2006 Fiscal 2007

DEPARTMENT OF TRANSPORTATION -- 5401

1. State Motor Pool

a. Class 02 (small utilities)		
Per Hour Assigned	\$1.377	\$1.408
Per Mile Operated	\$0.069	\$0.069
b. Class 04 (large utilities)		
Per Hour Assigned	\$1.856	\$1.955
Per Mile Operated	\$0.081	\$0.081
c. Class 06 (midsize compacts)		
Per Hour Assigned	\$1.196	\$1.186
Per Mile Operated	\$0.048	\$0.048
d. Class 07 (small pickups)		
Per Hour Assigned	\$1.153	\$1.106
Per Mile Operated	\$0.073	\$0.073
e. Class 11 (large pickups)		
Per Hour Assigned	\$1.521	\$1.653
Per Mile Operated	\$0.095	\$0.095
f. Class 12 (vans -- all type)		
Per Hour Assigned	\$1.399	\$1.432
Per Mile Operated	\$0.084	\$0.084

2. Equipment Program

All of Program Operations

60-day working capital reserve

DEPARTMENT OF REVENUE -- 5801

1. Customer Service Center

Delinquent Account Collection Fee (percent of amount collected)*

* The department may not collect the delinquent account collection fee for debt codes 43 (collection of overpaid child support payments made to custodial parents) or 44 (collection of delinquent child support payments from noncustodial parents).

DEPARTMENT OF ADMINISTRATION -- 6101

1. Administration and Financial Services Division

a. Legal Services Unit

Total Allocation of Costs

\$182,525

\$182,525

b. Management Services Unit

Total Allocation of Costs

\$537,492

\$537,492

Portion of Unit for Human Resources

Charge per FTE of User Programs

\$476

\$475

c. Warrant Writer Program

Mailer Warrants

\$0.58331

\$0.58089

Nonmailer Warrants

\$0.18159

\$0.17917

Duplicate Warrants

\$6.03998

\$6.03939

External Warrants

\$0.15575

\$0.15333

Emergency Warrants

\$4.70228

\$4.70170

Direct Deposit

\$0.15578

\$0.15510

The department may charge the office of public defender up to \$55,000 in general fund money in fiscal year 2006 and \$25,000 in general fund money in fiscal year 2007 for human resources and payroll costs associated with the office. This authorization is contingent upon the passage and approval of Senate Bill No. 146.

If House Bill No. 425 is passed and approved, Legal Services Unit Total Allocation of Costs is reduced by \$49,631 in fiscal year 2006 and by \$49,631 in fiscal year 2007. The department may reallocate the costs of the Legal Services Unit to programs served by the unit as necessary to address impacts because of House Bill No. 425.

2. General Services Division

a. Facilities Management Bureau

Office Rent (\$ per sq. ft.)

\$6.613

\$6.681

Storage Rent (\$ per sq. ft.)

\$3.901

\$3.969

Capitol Grounds Maintenance

\$0.3896/sq.ft.

In-House Project Management (% of cost)

15%

Contracted Project Management (% of cost)

5%

b. Print and Mail Services

Interagency Mail (total amount allocated to agencies)

\$162,180

All Other Operations Except Interagency Mail

45-day working capital reserve

c. Central Stores Program

Vendor-Provided Service

Markup as a Percent of Retail Cost of Goods Sold

3.0%

Direct State Service

Forms (percent markup)

100%

Office Supplies (percent markup)

25%

Computer Paper (percent markup)

25%

Fine Paper (percent markup)

25%

Course Paper (percent markup)

25%

Janitorial (percent markup)

25%

d. Statewide Fueling Network Program

Markup as a Percent of Gross Fuel Purchases by Users

0.5%

e. State Procurement Card Program

Monthly Card Fee (per card per month)

\$1.00

Capitol Grounds Maintenance is contingent upon passage and approval of House Bill No. 109.

The department may charge fees identified in the Central Stores Program under the direct state service heading if the department operates a state-provided central stores

program using state employees and funds to administer, store, and deliver products to state and local government consumers. If the governor directs the department, by executive order,

to provide services of the central stores program using a private vendor, the department may charge fees identified in the Central Stores Program under the vendor-provided service

heading, and revenue derived from central stores program retail markup rates may be used only for personal services and operating expenses directly supporting coordination and contract

administration costs for supplies purchased through a contracted vendor for central stores supplies and may not be used for office or warehouse rent or lease costs of facilities not owned

by the state of Montana.

3. Information Technology Services Division

Data Network Fee (maximum per connected terminal per month)*

\$72.60 \$72.60

* The data network fee is the greater of the maximum per connected terminal rate or the amount in agency budgets.

SABHRS Cost Allocation (total allocation to users)

\$6,335,169 \$6,335,169

All Operations Except SABHRS Cost Allocation

30-day working capital reserve

4. State Personnel Division

a. Professional Development Center

Training Services per Hour Staff Cost

\$127.86 \$127.97

b. Payroll Processing

Payroll Fees (per employee processed per pay period)

\$1.34 \$1.33

5. Risk Management & Tort Defense

General Liability (total allocation to agencies)

\$7,203,992 \$7,242,383

Auto Liability, Comprehensive, and Collision (total allocation to agencies)

\$1,668,644 \$1,671,416

Aviation (total allocation to agencies)

\$174,014 \$174,003

Property/Miscellaneous (total allocation to agencies)

\$5,385,291 \$5,412,054

DEPARTMENT OF FISH, WILDLIFE, & PARKS -- 5201

1. Administration and Finance (% markup)

a. Warehouse Overhead

5% 5%

2. Vehicle Account Rates Per Mile

a. Sedans

\$0.30 \$0.30

b. Vans

\$0.33 \$0.33

c. Utilities

\$0.37 \$0.37

d. Grounds Maintenance

\$1.05 \$1.10

e. Pickup 1/2 Ton

\$0.32 \$0.32

f. Pickup 3/4 Ton

\$0.37 \$0.37

3. Aircraft Per Hour Rates

a. Two-Place Single Engine	\$ 59.56	\$ 62.54
b. Parthavia	\$297.78	\$297.78
c. Turbine Helicopters	\$363.01	\$363.01

4. Duplicating – Number of Copies (includes paper)

a. 1-20	\$0.045	\$0.050
b. 21-100	\$0.030	\$0.035
c. 101-1000	\$0.025	\$0.030
d. 1001-5000	\$0.020	\$0.025
e. Color (per sheet)	\$0.25	\$0.25

5. Bindery

a. Collating (per sheet)	\$0.005	\$0.005
b. Hand Stapling (per set)	\$0.015	\$0.015
c. Saddle Stitch (per set)	\$0.030	\$0.030
d. Folding (per sheet)	\$0.005	\$0.005
e. Punching (per sheet)	\$0.001	\$0.001
f. Cutting (per minute)	\$0.550	\$0.550

6. Parks

a. Visitor Center Goods (percent markup)

40%

If House Bill No. 109 is not passed and approved, the following is added to the department of fish, wildlife, and parks rates in this section:

Capitol Grounds Maintenance	\$0.3896/sq.ft.	\$0.3896/sq.ft.
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DEPARTMENT OF ENVIRONMENTAL QUALITY -- 5301

1. Central Management

a. Expenses Against Personal Services

24%

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION -- 5706

1. Air Operations Program

	Fiscal 2006	Fiscal 2007
a. Bell UH-1H	\$875.00	\$875.00
b. Bell Jet Ranger	\$375.00	\$375.00
c. Cessna 180 Series	\$ 95.00	\$ 95.00

DEPARTMENT OF COMMERCE – 6501

1. Board of Investments

For the purposes of [this act], the legislature defines "rates" as the total collections necessary to operate the board of investments as follows:

a. Administration Charge (total)	\$3,203,219	\$3,128,734
2. Director's Office/Management Services		
a. Management Services Indirect Charge Rate	13.7%	13.65%

DEPARTMENT OF JUSTICE – 4110

1. Agency Legal Services

a. Attorney (per hour)	\$71.80	74.00
b. Paralegal (per hour)	\$44.00	\$46.00

DEPARTMENT OF CORRECTIONS - 6401

1. Secure Facilities

a. Cook/Chill Rate to Montana State Prison	\$1.37/meal	\$1.37/meal
b. Cook/Chill Rate to Riverside Youth Correctional Facility	\$2.01/meal	\$2.01/meal
c. Cook/Chill Rate to WATCH DUI Unit	\$1.59/meal	\$1.59/meal
d. Cook/Chill Rate to Helena Prerelease	\$2.01/meal	\$2.01/meal

2. Montana Correctional Enterprises

a. Laundry Rate to Montana State Prison	\$0.39/lb.	\$0.39/lb.
b. Laundry Rate to Treasure State Correctional Training Center	\$0.39/lb.	\$0.39/lb.
c. Laundry Rate to Montana State Hospital	\$0.38/lb.	\$0.38/lb.
d. Laundry Rate to Montana Developmental Center	\$0.46/lb.	\$0.46/lb.
e. Laundry Rate to Riverside Youth Correctional Facility	\$0.46/lb.	\$0.46/lb.

DEPARTMENT OF LABOR AND INDUSTRY – 6602

- 1. Centralized Services Division
 - a. Cost Allocation Plan
- 2. Business Standards Division

8%

8%

- a. House Bill No. 2 Programs Recharge Rate

44.8%

44.8%

MONTANA UNIVERSITY SYSTEM - 5100

Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

-End-

GENERAL GOVERNMENT AND TRANSPORTATION

Section A

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Legislative Branch
Legislative Audit Division
Legislative Fiscal Division
Legislative Services Division
Consumer Counsel
Judiciary
Governor's Office
Secretary of State

Commissioner of Political Practices
State Auditor
Transportation
Revenue
Administration
Appellate Defender Commission
Montana Consensus Council
Office of Public Defender

-----Committee Members-----

House

Representative John Sinrud (Chair)
Representative Rosalie Buzzas
Representative Jon Sesso
Representative Janna Taylor

Senate

Senator Lane Larson (Vice-Chair)
Senator Rick Laible
Senator Mike Cooney
Senator Corey Stapleton

-----Fiscal Division Staff-----

Greg DeWitt
Marilyn Daumiller
Harry Freebourn

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	124.77	0.20	0.00	124.97	0.20	0.00	130.14	130.14
Personal Services	7,131,990	627,728	168,631	7,928,349	619,277	531,725	8,282,992	16,211,341
Operating Expenses	1,916,296	554,387	288,155	2,758,838	326,066	0	2,242,362	5,001,200
Equipment	98,375	(3,124)	0	95,251	(33,375)	0	65,000	160,251
Total Costs	\$9,146,661	\$1,178,991	\$456,786	\$10,782,438	\$911,968	\$531,725	\$10,590,354	\$21,372,792
General Fund	7,055,185	852,171	497,437	8,404,793	1,208,448	538,330	8,801,963	17,206,756
State/Other Special	2,091,476	326,820	(40,651)	2,377,645	(296,480)	(6,605)	1,788,391	4,166,036
Total Funds	\$9,146,661	\$1,178,991	\$456,786	\$10,782,438	\$911,968	\$531,725	\$10,590,354	\$21,372,792

Agency Description

The Legislative Branch consists of the Senate, House of Representatives, Legislative Services Division, Legislative Fiscal Division and the Legislative Audit Divisions provided in 5-2-504, MCA. The Senate and the House of Representatives create the laws of the state and fund the functions of state government. The standing and interim committees of the legislature, aided by supporting divisions of the Legislative Branch, monitor all of the functions of state government and report to the legislature.

The four standing committees that provide over-sight for the Legislative Branch are the Legislative Finance Committee, Legislative Council, Legislative Audit Committee, and the Environmental Quality Council. These committees provide oversight and management of the legislative functions during the interim.

The budget for the three staff divisions and legislative interim work is presented in HB 2. The budget for House and Senate activity is presented in HB 1, the "feed bill."

Agency Highlights

Legislative Branch Major Budget Highlights
Total funding increases over the 2004 base year include: <ul style="list-style-type: none">◆ New proposals of \$1.1 million for:<ul style="list-style-type: none">• \$200,000 for an interim study of the school funding formula, SB 525• \$88,000 for a legislative audit of Public Defender Services across six counties, SB 146• \$800,000 to implement the pay plan in HB 447◆ Statewide and other present law adjustments of \$2 million primarily reflect the cyclical nature of the cost of legislative sessions not included in the base year, and are for:<ul style="list-style-type: none">• \$650,000 for cost of interim work and preparation for the next legislative session• \$182,000 for statewide fixed costs• \$1.2 million in personal services◆ The Legislative Branch budget is established as biennial

Summary of Legislative Action

The legislature approved a budget that maintains operations of the three divisions at present law levels, with the increases coming: 1) \$200,000 for an interim study on school funding; 2) \$88,155 for legislative audits of the public defender services in six counties; and 3) \$812,000 to implement the pay plan adopted in HB 447.

Of the \$2 million in present law adjustments, \$651,000 is for the cost of interim work as well as preparation for the next legislative session, and \$1.3 million over the biennium is for statewide present law adjustments.

The legislature approved a reduction in state special revenue by \$112,369 to apply vacancy savings to the Audit and Examination Division.

Funding

The following table summarizes funding for the agency, by program and source, as appropriated by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget				
Agency Program	General Fund	State Spec.	Grand Total	Total %
20 Legislative Services	\$ 9,833,320	\$ 1,237,760	\$ 11,071,080	51.80%
21 Legis. Committees & Activities	618,562	-	618,562	2.89%
27 Fiscal Analysis & Review	2,712,578	-	2,712,578	12.69%
28 Audit & Examination	4,042,296	2,928,276	6,970,572	32.61%
Grand Total	<u>\$ 17,206,756</u>	<u>\$ 4,166,036</u>	<u>\$ 21,372,792</u>	<u>100.00%</u>

The Legislative Branch is funded with general fund except for state special revenue appropriations that support costs associated with the state broadcasting service; the preparation, publication, and distribution of Montana Code Annotated text and annotations; and the Audit and Examination Program.

The Legislative Branch budget is presented in annual format for budget review only. The budget is established as biennial to respond to the need to manage the branch cyclical expenditures and revenues.

Other Legislation

House Bill 28 - This bill establishes a Legislative Branch reserve account in the state special revenue fund. Money deposited into the account is statutorily appropriated to the Legislative Services Division. Any portion of the 30 percent "carry forward" of the agency's unexpended and unencumbered money as provided in 17-7-140, MCA, and any portion of unexpended and unencumbered money appropriated for the operation of the preceding legislature, may be deposited in the account. The Legislative Services Division may only use the money with the approval of the Legislative Council for large-scale information technology projects, including the purchase of hardware, software, and consulting services for new initiatives and replacement and upgrading of existing systems. The financial impact of this legislation may vary from session to session.

House Bill 790 - This bill requires the Environmental Quality Council to: 1) conduct a study on split estates of property between mineral owners and surface owners related to oil and gas development and coal bed methane reclamation and bonding; and 2) establish and organize a subcommittee to perform the study. HB 790 allocates up to \$50,000 state special revenue from oil and natural gas production tax receipts over the biennium to the Legislative Services Division for \$15,000 in personal services and \$35,000 in operating expenses to conduct the study.

Senate Bill 61 - This bill provides for the appointment of a legislative liaison from each party and from the membership of the Economic Affairs Interim Committee to the State Compensation Insurance Fund board of directors. Although there is no appropriation attached to this bill, it is estimated that, based upon two legislators attending five meetings per year, expenditures to the Legislative Branch and the Montana State Fund would not exceed \$1,815, and \$1,000 respectively, each year.

Senate Bill 146 - This bill establishes a statewide public defender system to deliver assigned counsel services in state, county, municipal, and city courts. SB 146 also requires a legislative audit of Flathead, Yellowstone, Lewis and Clark, Missoula, Gallatin and Cascade counties to ensure allocations are calculated based on actual costs. The total audit cost is expected to be \$176,310. The state and each of the six counties pay 50 percent of the audit costs resulting in an appropriation of \$88,155 to the Audit and Examination Program through HB 2.

Senate Bill 525 - This bill provides for an eleven-member interim committee comprising eight legislators and three ex-officio, non-voting members representing the Board of Public Education, the Office of Public Instruction, and the Governor or a designee, to study the school funding formula. The eight legislative committee members are entitled to compensation and reimbursement of expenses. The chair of the Board of Public Education, a non-recompensed position, may require lodging and per diem for committee meetings and may request reimbursement from the committee. General fund of \$200,000 was added in HB 2 to fund this study.

Study Resolutions and Interim Studies - The legislature passed several bills containing study resolutions requesting specific interim studies. These studies are prioritized by legislative direction, and available staff and funding. As many studies as possible will be completed during the interim period.

Senate Bill 525 establishes an interim committee to study the school funding formula and House Bill 790 establishes an interim committee to study split estates and coal bed methane reclamation and bonding. The following house and senate joint resolutions request interim studies. They are listed in priority order as voted by members of the legislature following the end of the session. House Joint Resolutions are titled HJR, and Senate Joint Resolutions are titled SJR.

Resolutions Requesting Interim Studies During the 2007 Biennium		
Presented in Order of Priority		
Resolution	Purpose	
HJR 42	Investment of pension funds	
SJR 37	Child protection systems	
HJR 36	Resource indemnity trust funding and allocation	
HJR 44	Taxation of oil and gas production, equipment, and transmission pipelines	
IJR 10	Fire-related statutes for suppression and mitigation	
IJR 43	Classification and valuation of agricultural land	
IJR 33	Contract timber harvesting	
SJR 39	The possible creation of ongoing energy planning and coordinating entities	
SJR 41	A mental health crisis response system	
SJR 6	Legal services for low and moderate income Montanans	
SJR 36	Distributed energy generation	
SJR 38	Issues related to identity theft	
IJR 34	Impacts of superfund sites on surrounding communities	
IJR 26	State financial reliance on fed funds and the implications of federal budget deficits	
SJR 35	Professional and occupational licensing boards	
IJR 41	Economic development in Indian country	
IJR 15	Sentencing equity	
SJR 11	The subdivision review process	
IJR 30	FWP licenses, permits, and landowner incentives	
SJR 40	Delivery of prosecution services	
IJR 45	Funding for wireless enhanced 911	
SJR 14	An interim review of the state active duty process	

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg - Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg - Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	124.77	124.97	124.97	0.00	130.14	130.14	0.00	
Personal Services	7,131,990	7,773,236	7,928,349	155,113	7,751,267	8,282,992	531,725	686,838
Operating Expenses	1,916,296	2,902,952	2,758,838	(144,114)	2,373,913	2,242,362	(131,551)	(275,665)
Equipment	98,375	103,000	95,251	(7,749)	65,000	65,000	0	(7,749)
Total Costs	\$9,146,661	\$10,779,188	\$10,782,438	\$3,250	\$10,190,180	\$10,590,354	\$400,174	\$403,424
General Fund	7,055,185	8,360,892	8,404,793	43,901	8,395,184	8,801,963	406,779	450,680
State/Other Special	2,091,476	2,418,296	2,377,645	(40,651)	1,794,996	1,788,391	(6,605)	(47,256)
Total Funds	\$9,146,661	\$10,779,188	\$10,782,438	\$3,250	\$10,190,180	\$10,590,354	\$400,174	\$403,424

The legislature approved an increase to the general fund to provide \$813,000 for the pay plan increase authorized in HB 447, and provide \$200,000 to conduct an interim school funding study and \$88,000 for the legislative audit of the Public Defender Services provided in HB 146. The legislature did not approve \$650,000 for: 1) the expansion of audio minutes for the 2007 session; 2) the upgrade of existing laptop computers for use by legislators; 3) a contract for the development and initial implementation of a disaster recovery and security plan for mission-critical systems; 4) legislative participation in regional and national organizations; and 5) dues to the Council of State Governments.

The reduction in state special revenue is due to application of vacancy savings to the Audit and Examination Program that is offset by an increase of \$65,000 for the new pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	50.80	0.20	0.00	51.00	0.20	0.00	56.17	56.17
Personal Services	2,984,223	301,641	97,808	3,383,672	362,801	254,590	3,601,614	6,985,286
Operating Expenses	1,445,739	469,395	200,000	2,115,134	364,670	0	1,810,409	3,925,543
Equipment	98,375	(3,124)	0	95,251	(33,375)	0	65,000	160,251
Total Costs	\$4,528,337	\$767,912	\$297,808	\$5,594,057	\$694,096	\$254,590	\$5,477,023	\$11,071,080
General Fund	3,708,761	729,313	297,808	4,735,882	1,134,087	254,590	5,097,438	9,833,320
State/Other Special	819,576	38,599	0	858,175	(439,991)	0	379,585	1,237,760
Total Funds	\$4,528,337	\$767,912	\$297,808	\$5,594,057	\$694,096	\$254,590	\$5,477,023	\$11,071,080

Program Description

The Legislative Services Division has five sections: Central Services, Office of Research and Policy Analysis, Legal Services, Legislative Environmental Policy Office, and Office of Legislative Information Technology.

The Legislative Services Division provides research, reference, legal, technical, information technology, and administrative support services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services; legal counseling on legislative matters and agency legal support; 4) agency management and business services; 5) planning, installation and maintenance of the agency computer network and applications; 6) legislative committee staffing and support; 7) preparation, publication and distribution of the Montana Code Annotated text and annotations; 8) review of the text of proposed ballot measures; 9) broadcasting of legislative activities; and 10) provision of legislative information to the public. The Legislative Council provides policy guidance to the Legislative Services Division.

Program Highlights

Legislative Services Division Major Budget Highlights	
Total funding increases over the 2004 base year include:	
♦ New proposals of \$552,000 comprising:	
• \$200,000 for an interim study of the school funding formula	
• \$352,000 to implement the pay plan in HB 447	
♦ Statewide and other present law adjustments of \$1.5 million primarily reflect the cyclical nature of the cost of legislative sessions not included in the base year, and are for:	
• \$631,000 for cost of interim work and preparation for the next legislative session	
• \$162,000 for statewide fixed costs	
• \$700,00 in personal services	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

		Program Funding Table					
		Legislative Services					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 3,708,761	81.9%	\$ 4,735,882	84.7%	\$ 5,097,438	93.1%
	01100 General Fund	3,708,761	81.9%	4,735,882	84.7%	5,097,438	93.1%
02000	Total State Special Funds	819,576	18.1%	858,175	15.3%	379,585	6.9%
	02800 Reimbursable Activities	793,171	17.5%	814,184	14.6%	348,714	6.4%
	02985 State Government Broadcasting	26,405	0.6%	43,991	0.8%	30,871	0.6%
Grand Total		\$ 4,528,337	100.0%	\$ 5,594,057	100.0%	\$ 5,477,023	100.0%

The Legislative Services Program is funded with general fund and state special revenue that supports costs associated with the state broadcasting service as well as the preparation, publication, and distribution of Montana Code Annotated text and annotations.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					301,641					362,801
Inflation/Deflation					(2,527)					(2,526)
Fixed Costs					83,577					87,380
Total Statewide Present Law Adjustments					\$382,691					\$447,655
DP 2 - Audio Recordings as Committee Minutes	0.00	30,251	0	0	30,251	0.00	0	0	0	0
DP 12 - Increase Branch Personnel Services FTE	0.20	0	0	0	0	0.20	0	0	0	0
DP 50 - LSD Program Operations	0.00	327,338	27,632	0	354,970	0.00	516,166	(269,725)	0	246,441
Total Other Present Law Adjustments										
	0.20	\$357,589	\$27,632	\$0	\$385,221	0.20	\$516,166	(\$269,725)	\$0	\$246,441
Grand Total All Present Law Adjustments					\$767,912					\$694,096

DP 2 - Audio Recordings as Committee Minutes - The legislature approved \$30,251 general fund for continuation of audio recordings of session committee hearing minutes for the 2007 biennium.

DP 12 - Increase Branch Personnel Services FTE - The legislature approved 0.20 FTE to be combined with an existing 0.80 FTE to establish a full-time position to provide in-house personnel services to the Legislative Branch. The Legislative Council approved funding for this position during the 2005 biennium in June 2004; there is no funding impact associated with this decision package.

DP 50 - LSD Program Operations - The legislature approved an increase over the biennium of \$659,082 for cyclical costs associated with support of the 2007 legislative session not reflected in even-numbered base years, such as preparation and publication of the Montana Codes Annotated and other legislative publications, temporary staff, copying, and office supplies.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 101 - Interim School Funding Study (Biennial/OTO)										
20	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
20	0.00	97,808	0	0	97,808	0.00	254,590	0	0	254,590
Total	0.00	\$297,808	\$0	\$0	\$297,808	0.00	\$254,590	\$0	\$0	\$254,590

DP 101 - Interim School Funding Study (Biennial/OTO) - The legislature approved a one-time-only, biennial appropriation of \$200,000 general fund to support an interim study on school funding.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.97	0.00	0.00	0.97	0.00	0.00	0.97	0.97
Personal Services	54,584	40,416	0	95,000	(22,454)	0	32,130	127,130
Operating Expenses	277,858	46,874	0	324,732	(111,158)	0	166,700	491,432
Total Costs	\$332,442	\$87,290	\$0	\$419,732	(\$133,612)	\$0	\$198,830	\$618,562
General Fund	332,442	87,290	0	419,732	(133,612)	0	198,830	618,562
Total Funds	\$332,442	\$87,290	\$0	\$419,732	(\$133,612)	\$0	\$198,830	\$618,562

Program Description

The Legislative Committees and Activities Program processes and monitors the expenditures of legislative committees and activities, particularly those conducted during the interim between legislative sessions. Services include: 1) limited support of interim studies activities established under 5-5-202 through 5-5-217, MCA; 2) support of interstate cooperation activities of the legislature; and 3) support of other legislative activities for which appropriations are made.

There are eight interim committees: Economic Affairs and Labor; Education and Local Government; Children, Families, Health and Human Service; Law and Justice; Energy and Telecommunications; Revenue and Transportation; State Administration and Veterans' Affairs, and State-Tribal Relations.

Program Highlights

Legislative Committees and Activities Major Budget Highlights	
The 2007 biennium budget is \$46,000 lower than the 2004 base year due to:	
♦ Statewide and other present law adjustments of:	
• \$139,000 for interim committee work	
• \$39,000 for statewide present law adjustments	
♦ Elimination of funds for:	
• \$79,000 to support legislative participation in regional and national organizations	
• \$145,000 in dues to the Council of State Governments	

Funding

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					19,852					19,899
Inflation/Deflation					(77)					(75)
Total Statewide Present Law Adjustments					\$19,775					\$19,824
DP 51 - Legislative Committees & Activities Pgm Operations	0.00	138,896	0	0	138,896	0.00	(79,556)	0	0	(79,556)
DP 106 - Eliminate dues for Council of State Governments	0.00	(71,381)	0	0	(71,381)	0.00	(73,880)	0	0	(73,880)
Total Other Present Law Adjustments	0.00	\$67,515	\$0	\$0	\$67,515	0.00	(\$153,436)	\$0	\$0	(\$153,436)
Grand Total All Present Law Adjustments					\$87,290					(\$133,612)

DP 51 - Legislative Committees & Activities Program Operations - The legislature approved an additional \$59,340 general fund over the biennium for costs associated with the Legislative Council, Environmental Quality Council, and eight interim committees.

DP 106 - Eliminate dues for Council of State Governments - The legislature reduced the agency budget by \$145,261 general fund over the biennium to eliminate dues for the Council of State Governments.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	18.50	0.00	0.00	18.50	0.00	0.00	18.50	18.50
Personal Services	1,130,237	101,333	36,167	1,267,737	97,988	92,472	1,320,697	2,588,434
Operating Expenses	40,574	(1,002)	0	39,572	43,998	0	84,572	124,144
Total Costs	\$1,170,811	\$100,331	\$36,167	\$1,307,309	\$141,986	\$92,472	\$1,405,269	\$2,712,578
General Fund	1,170,811	100,331	36,167	1,307,309	141,986	92,472	1,405,269	2,712,578
Total Funds	\$1,170,811	\$100,331	\$36,167	\$1,307,309	\$141,986	\$92,472	\$1,405,269	\$2,712,578

Program Description

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government and the furnishing of information bearing upon the financial matters of the state; 2) identification of ways to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) compiling and analyzing fiscal information for legislators and legislative committees; and 6) staffing and support for legislative committees, including the preparation and processing of the General Appropriations Act. The Legislative Finance Committee provides guidance to the Legislative Fiscal Division.

Program Highlights

Legislative Fiscal Division Major Budget Highlights	
Total funding increases over the FY 2004 base budget include:	
♦	\$129,000 to implement the pay plan in HB 447
♦	Statewide and other present law adjustments of \$242,000 due to:
•	\$45,000 for cost of preparation for the next legislative session
•	\$197,000 in personal services and a deflation adjustment
Increases in present law adjustments reflect the cyclical nature of cost of legislative sessions that are not in the base year	

Funding

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					101,333					97,988
Inflation/Deflation					(1,002)					(1,002)
Total Statewide Present Law Adjustments					\$100,331					\$96,986
DP 57 - LFD Program Operations	0.00	0	0	0	0	0.00	45,000	0	0	45,000
Total Other Present Law Adjustments					\$0	0.00	\$45,000	\$0	\$0	\$45,000
Grand Total All Present Law Adjustments					\$100,331					\$141,986

DP 57 - LFD Program Operations - The legislature approved \$45,000 in FY 2007 for cyclical operating costs associated with support of the 2007 legislative session that are not reflected in the base year. Costs include payment of staff overtime, temporary services, printing, photocopy pool costs, office supplies, and interim study committees and activities.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
27	0.00	36,167	0	0	36,167	0.00	92,472	0	0	92,472
Total	0.00	\$36,167	\$0	\$0	\$36,167	0.00	\$92,472	\$0	\$0	\$92,472

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	54,50	0.00	0.00	54,50	0.00	0.00	54,50	54,50
Personal Services	2,962,946	184,338	34,656	3,181,940	180,942	184,663	3,328,551	6,510,491
Operating Expenses	152,125	39,120	88,155	279,400	28,556	0	180,681	460,081
Total Costs	\$3,115,071	\$223,458	\$122,811	\$3,461,340	\$209,498	\$184,663	\$3,509,232	\$6,970,572
General Fund	1,843,171	(64,763)	163,462	1,941,870	65,987	191,268	2,100,426	4,042,296
State/Other Special	1,271,900	288,221	(40,651)	1,519,470	143,511	(6,605)	1,408,806	2,928,276
Total Funds	\$3,115,071	\$223,458	\$122,811	\$3,461,340	\$209,498	\$184,663	\$3,509,232	\$6,970,572

Program Description

The Legislative Audit Division conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Audit Committee provides policy guidance to the Legislative Audit Division.

Program Highlights

Legislative Audit Division Major Budget Highlights	
Total funding increases over the 2004 base year include:	
♦ New proposals of \$307,000 comprising:	
• \$331,000 to implement the pay plan in HB 447	
• \$88,000 for legislative audits of Public Defender Services in six counties, SB 146	
• A reduction of \$112,000 in state special revenue to apply vacancy savings	
♦ Statewide and other present law adjustments of \$433,000 due to:	
• \$372,000 in personal services and fixed costs	
• \$61,000 for cyclical adjustments in program operating costs	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

		Program Funding Table Audit & Examination					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,843,171	59.2%	\$ 1,941,870	56.1%	\$ 2,100,426	59.9%
	01100 General Fund	1,843,171	59.2%	1,941,870	56.1%	2,100,426	59.9%
02000	Total State Special Funds	1,271,900	40.8%	1,519,470	43.9%	1,408,806	40.1%
	02042 Legislative Audit	<u>1,271,900</u>	<u>40.8%</u>	<u>1,519,470</u>	<u>43.9%</u>	<u>1,408,806</u>	<u>40.1%</u>
Grand Total		<u>\$ 3,115,071</u>	<u>100.0%</u>	<u>\$ 3,461,340</u>	<u>100.0%</u>	<u>\$ 3,509,232</u>	<u>100.0%</u>

The Audit and Examination Program is funded by a combination of general fund and state special revenue appropriations. Special revenue is derived through the assessment, to agencies, of federally approved hourly rate charges for audit services.

The Audit and Examination Program budget is presented in annual format for budget review only. The budget is established as biennial to respond to the need to responsibly manage branch cyclical expenditures and revenues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				184,338					180,942
Inflation/Deflation				(2,101)					(2,065)
Fixed Costs				5,504					5,504
Total Statewide Present Law Adjustments				\$187,741					\$184,381
DP 10 - LAD Cyclical Adjustments									
0.00	19,606	15,194	0	34,800	0.00	13,634	10,566	0	24,200
DP 58 - LAD Program Operations									
0.00	541	376	0	917	0.00	541	376	0	917
Total Other Present Law Adjustments									
0.00	\$20,147	\$15,570	\$0	\$35,717	0.00	\$14,175	\$10,942	\$0	\$25,117
Grand Total All Present Law Adjustments				\$223,458					\$209,498

DP 10 - LAD Cyclical Adjustments - The legislature approved an increase of \$59,000 over the biennium for cyclical costs associated with the peer review required by government auditing standards, on-site audit training costs, and contract services for the use of actuary expertise on audits of retirement systems.

DP 58 - LAD Program Operations - The legislature approved \$917 each year of the biennium for use of the motor pool.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Apply vacancy savings										
28	0.00	0	(58,830)	0	(58,830)	0.00	0	(53,539)	0	(53,539)
DP 250 - Leg. Audit of Public Defender Serv - SB 146 (OTO)										
28	0.00	88,155	0	0	88,155	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
28	0.00	75,307	18,179	0	93,486	0.00	191,268	46,934	0	238,202
Total	0.00	\$163,462	(\$40,651)	\$0	\$122,811	0.00	\$191,268	(\$6,605)	\$0	\$184,663

DP 101 - Apply vacancy savings - The legislature approved the application of vacancy savings to the Legislative Audit Division reducing state special revenue by \$58,830 in FY 2006 and \$53,539 in FY2007, for total reduction of \$112,369.

DP 250 - Legislative Audit of Public Defender Services - SB 146 (OTO) - The legislature approved a biennial appropriation of \$88,155 general fund to allow the Legislative Audit Division to perform audits of the Public Defender system in the six counties specified in SB 146, the Montana Public Defender Act. The total audit cost is expected to be \$176,310. The state is to pay 50 percent, and each of the six counties (Flathead, Yellowstone, Lewis and Clark, Missoula, Gallatin and Cascade) pay 50 percent of the audit costs, for a total of \$88,155.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.04	0.00	0.50	5.54	0.00	0.50	5.54	5.54
Personal Services	410,889	11,104	42,009	464,002	12,608	60,299	483,796	947,798
Operating Expenses	886,194	69,329	2,976	958,499	81,014	0	967,208	1,925,707
Total Costs	\$1,297,083	\$80,433	\$44,985	\$1,422,501	\$93,622	\$60,299	\$1,451,004	\$2,873,505
State/Other Special	1,297,083	80,433	44,985	1,422,501	93,622	60,299	1,451,004	2,873,505
Total Funds	\$1,297,083	\$80,433	\$44,985	\$1,422,501	\$93,622	\$60,299	\$1,451,004	\$2,873,505

Agency Description

The Consumer Counsel was created by Article XIII, Section 2 of the 1972 Montana Constitution, and is governed by Title 5, Chapter 15, and Title 69, Chapters 1 and 2, MCA. The Consumer Counsel represents statewide consumer interests in hearings before the Public Service Commission and like agencies. The Counsel may initiate, intervene in, and participate in appropriate proceedings in the state or federal court systems or at administrative agencies on behalf of the public of Montana. The Montana Consumer Counsel is part of the legislative branch and is overseen by the Legislative Consumer Committee.

Agency Highlights

Consumer Counsel Major Budget Highlights
<p>Funding increases over the FY 2004 base are primarily due to:</p> <ul style="list-style-type: none"> ◆ \$32,000 in statewide present law adjustments ◆ \$142,000 for a present law adjustment to continue the agency's restricted contingency fund at \$250,000 per year, increase professional services, and implement minor equipment upgrades ◆ \$105,000 of increased funding over the biennium for 0.50 FTE and the pay plan as provided in HB 447.

Summary of Legislative Action

The legislature increased the budget in state special revenue over the FY 2004 base to support \$174,000 in present law adjustments and \$105,000 to fund 0.50 FTE and the pay plan provided in HB 447.

The largest increase was for \$142,000 over the biennium comprising \$61,000 to restore the agency's contingency appropriation to \$250,000 per year, \$64,000 to increase consultants and personal services, and \$17,000 in miscellaneous expenses. There is further discussion of the contingency in the present law adjustments section.

The balance of the increase was \$32,000 over the biennium for statewide present law adjustments.

Additional increases to the budget include \$63,500 for an additional 0.50 FTE and \$41,700 to implement the pay plan adopted in HB 447.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg - Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg - Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	5.04	5.04	5.54	0.50	5.04	5.54	0.50	
Personal Services	410,889	421,993	464,002	42,009	423,497	483,796	60,299	102,308
Operating Expenses	886,194	955,523	958,499	2,976	967,208	967,208	0	2,976
Total Costs	\$1,297,083	\$1,377,516	\$1,422,501	\$44,985	\$1,390,705	\$1,451,004	\$60,299	\$105,284
State/Other Special	1,297,083	1,377,516	1,422,501	44,985	1,390,705	1,451,004	60,299	105,284
Total Funds	\$1,297,083	\$1,377,516	\$1,422,501	\$44,985	\$1,390,705	\$1,451,004	\$60,299	\$105,284

The legislature increased the executive budget by \$105,300 in state special revenue to include \$41,800 to fund the HB 447 pay plan and \$63,500 for 0.50 FTE to allow the agency to respond to increased utility caseload issues.

Funding

The Consumer Counsel is funded by a constitutionally earmarked tax levied on all regulated entities under the jurisdiction of the Public Service Commission (69-1-224, MCA). The Department of Revenue generates an amount, which must be equal to the current appropriation to the Office of the Consumer Counsel. The department computes the percentage based upon the company's total gross operating revenue for the previous fiscal year. The tax rate can be revised, with 30 days notice to regulated companies, to adjust for previous fiscal year carryover to avoid accumulation of a significant cash balance (69-1-224(1)(a), MCA) and to adjust for fluctuations in the actual gross operating revenue (69-1-224(2)(a), MCA).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				11,104					12,608	
Inflation/Deflation				(399)					(397)	
Fixed Costs				4,406					4,413	
Total Statewide Present Law Adjustments				\$15,111					\$16,624	
DP 1 - Present Law Base Adjustments	0.00	0	65,322	0	65,322	0.00	0	76,998	0	76,998
Total Other Present Law Adjustments										
	0.00	\$0	\$65,322	\$0	\$65,322	0.00	\$0	\$76,998	\$0	\$76,998
Grand Total All Present Law Adjustments				\$80,433						\$93,622

DP 1 - Present Law Base Adjustments - The legislature approved a present law budget increase of \$30,646 each year to restore the contingency appropriation to the 2005 biennium level of \$250,000 per year, as well as increases over the biennium of \$64,000 for consultants and professional services, \$17,000 in miscellaneous expenses, and \$32,000 in statewide present law adjustments for a total of \$174,000.

The contingency (69-1-223, MCA) is for contract services, unanticipated caseload increases, and legal costs due to uncertainties related to supply and market conditions in the utilities industries. The 2003 Legislature raised the contingency amount to \$250,000 per year for the 2005 biennium. The 2005 Legislature maintained that amount for the 2007 biennium.

Unused contingency funds are applied as a reduction to the calculated fees of the regulated entities for the subsequent fiscal year.

In the event the Consumer Counsel's caseload exceeds budget authority, the only option for emergency funding is a request in the supplemental bill of the next session because the agency's funding is state special revenue based upon tax rates.

Figure 1
Contingency Growth

Prior Biennia	\$200,000
2003 Biennium	400,000
2005 Biennium	500,000
2007 Biennium	500,000

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Add 0.50 FTE										
01	0.50	0	33,251	0	33,251	0.50	0	30,275	0	30,275
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	0	11,734	0	11,734	0.00	0	30,024	0	30,024
Total	0.50	\$0	\$44,985	\$0	\$44,985	0.50	\$0	\$60,299	\$0	\$60,299

DP 2 - Add 0.50 FTE - The legislature approved funding for 0.50 FTE to allow the Consumer Counsel to respond to increased utility issues while continuing to address ratepayer concerns about traditional rates and services issues.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	374.68	(14.00)	30.45	391.13	(14.00)	31.45	392.13	392.13
Personal Services	20,667,511	503,938	2,116,630	23,288,079	463,193	3,195,724	24,326,428	47,614,507
Operating Expenses	12,040,075	1,652,382	3,598,711	17,291,168	2,002,364	(5,831,473)	8,210,966	25,502,134
Equipment	303,670	17,310	0	320,980	25,965	0	329,635	650,615
Grants	535,058	(535,058)	0	0	(535,058)	0	0	0
Total Costs	\$33,546,314	\$1,638,572	\$5,715,341	\$40,900,227	\$1,956,464	(\$2,635,749)	\$32,867,029	\$73,767,256
General Fund	31,031,278	2,368,908	5,249,523	38,649,709	2,687,870	(3,149,087)	30,570,061	69,219,770
State/Other Special	2,378,886	(1,286,696)	463,785	1,555,975	(1,287,566)	508,056	1,599,376	3,155,351
Federal Special	136,150	556,360	2,033	694,543	556,160	5,282	697,592	1,392,135
Total Funds	\$33,546,314	\$1,638,572	\$5,715,341	\$40,900,227	\$1,956,464	(\$2,635,749)	\$32,867,029	\$73,767,256

Agency Description

Article III, Section I, and Article VII of the Montana Constitution authorize the Judicial Branch. The Judiciary consists of six programs: 1) the Supreme Court operations; 2) Boards and Commissions; 3) the Law Library; 4) the District Court Operations program; 5) the Water Court Supervision program; and 6) the Clerk of the Supreme Court. The Judiciary describes its mission as providing an independent, accessible, responsive, impartial and timely forum to resolve disputes; to preserve the rule of law; and to protect the rights and liberties guaranteed by the Constitutions of the United States and Montana.

Agency Highlights

Judiciary Major Budget Highlights	
♦ The legislature:	<ul style="list-style-type: none"> • Provided an increase in funding for public defender costs during the 2007 biennium of \$2.3 million • Added a public defender office beginning FY 2007 and transferred all of the Judiciary's public defender functions, costs totaling \$8.2 million, and 1.50 FTE to the Statewide Public Defender Office • Continued a \$10.00 fee on certain court filings but deposited this fee into the general fund to pay for an information technology effort that includes 17.00 FTE and \$3.9 million and removed 14.00 FTE and \$2.7 million funded by state special revenue in the previous biennium • Added \$1.1 million for the purchase of software licenses in order to have all courts on the same case management system • Provided funding of \$2 million for forensic psychiatric evaluations to determine a defendant's fitness to proceed in a criminal trial • Added a new judgeship in Gallatin County that includes 4.00 FTE and \$0.4 million for the biennium • Approved \$2.2 million for the HB 447 pay plan increase • Funded all federal grants in the amount of \$1.3 million

Agency Discussion

Information Technology – Case Management Systems

The legislature approved \$1.1 million in general fund to purchase case management systems and related technology for district courts and courts of limited jurisdiction. This appropriation was \$0.2 million less than the amount requested by the Judiciary. The Judiciary plans to delay the deployment of a jury management system to adhere to the limitation in funding.

Montana's courts and judicial offices use varying levels of information technology to meet their case management needs. The Supreme Court, the Water Court, and Montana's youth courts do not have automated case management systems. The district courts use a case management system that was developed and deployed by in-house technical staff from the Office of the Supreme Court Administrator (OCA) during the early 1990's. Approximately one-half of the courts of limited jurisdiction use a case management system called FullCourt, which began being installed in 2001. The remaining courts of limited jurisdiction use an older case management system provided by local government or by the OCA. The OCA is responsible for the installation and ongoing administration of the case management systems that are used by the courts of limited jurisdiction. As a result of the approval of this funding, the Judiciary committed to complete the purchase and installation of FullCourt in all district courts and the remaining courts of limited jurisdiction during the 2007 biennium.

The legislature asked the Judiciary to respond to two major problems with the Judiciary's current information technology plan. First, courts do not use similar systems and second, the systems that are used are not administered from a central database. The Judiciary stated that all district courts and courts of limited jurisdiction would have the use of FullCourt by the end of the 2007 biennium. The Judiciary also stated that these systems would be managed by a central database that is currently being deployed using a federal grant. These systems will be able to communicate with each other or with other court levels. The Judiciary will move from operating and maintaining 238 independent systems to one integrated centrally managed system. This system will allow for the timely extraction and reporting of caseload data on a consolidated basis. This system will also allow for upgrades from a centralized site.

Information Technology Program – Funding of Maintenance Activities

The 2005 legislature passed HB 536, which provides general fund of \$1.935 million in each fiscal year of the 2007 biennium, and 17.00 FTE to fund the Judiciary's information technology effort. During the 2005 biennium, the court's information technology program was funded as per 3-1-317, MCA with a \$10 user surcharge paid by defendants in criminal cases and on the initiating party in civil and probate cases. The information technology program was appropriated \$1.8 million per year; however, the collection of the fees during FY 2004 was approximately \$1.4 million, creating a funding shortage of \$0.4 million. To address this cash shortfall, the Judiciary halted the deployment of case management system upgrades in district courts and courts of limited jurisdiction. HB 536 deposits this surcharge into the general fund.

Office of the State Public Defender – SB 146

The 2005 legislature passed SB 146, which established the Office of State Public Defender. As a result of this legislation, the Judiciary will transfer the functions of managing and funding public defender services for district court cases to the Office of State Public Defender effective July 1, 2006. This transfer will include 1.50 FTE and \$8.1 million in general fund authority. This funding is primarily for public defender services provided by seven county-managed public defender offices, services provided by private attorneys that contracted with the state, transcripts, private investigator services, and witness fees and expenses. The Judiciary will continue to provide these services during FY 2006. The Office of State Public Defender is expected to be fully operational by July 1, 2006.

SB 146 is partially in response to a lawsuit filed in district court by the American Civil Liberties Union (ACLU) against the State of Montana and Missoula County. The ACLU alleges that defendants that are indigent are not being provided public defender services in a fair and consistent manner among jurisdictions. Also, the ACLU argues that the current system of public defense in the state creates a conflict of interest when the judge appoints a public defender for a case that is being adjudicated by that judge. The attorney general and the ACLU signed a stipulation placing the lawsuit on hold pending the actions of the 2005 legislature and the outcome of the proposed legislation. After the legislation was passed,

the ACLU sent a letter to the district judge asking that the trial date be cancelled indefinitely. However, part of the settlement agreement states that the public defender system must be adequately funded by the state. The ACLU is still reviewing this issue.

The public defender system as passed by SB 146 provides public defender services in criminal and certain civil cases for any individual who is: 1) determined to be financially unable to retain private counsel; and 2) accused of an offense that could result in the person's loss of life or liberty if the person is convicted. The system will provide public defender services in the Supreme Court or in any district court, justice court, or city or municipal court in the state. A Public Defender Commission, comprised of seven individuals appointed by the Governor, will head the statewide system. The commission will oversee a Chief Public Defender Office responsible for managing regional public defender offices, contracts with private attorneys, and the appellate defender function.

Supplemental Appropriations

The legislature approved a supplemental appropriation in the amount of \$6.8 million for the Judicial Branch. This supplemental funding is comprised of \$5.8 million for the district court assumption program and \$1.0 million for "unfit to proceed" costs.

The \$5.8 million for the district court assumption program is mostly due to expenditures associated with public defender variable costs. These expenditures include payments made to county-managed public defender offices and private attorneys that provide public defender services for the district courts. The conditions that created this supplemental are caseload driven and are expected to continue into the 2007 biennium.

The \$1.0 million for "unfit to proceed" costs are due to expenditures made to determine if an individual accused of a crime is fit to stand trial. Prior to FY 2005 these expenditures were incurred by the Department of Public Health and Human Services (DPHHS). However, a Legislative Audit Division audit determined that by statute, these expenditures must be charged to the Judiciary. There is a zero net impact to the general fund because DPHHS will deposit a like amount into the general fund.

Summary of Legislative Action

The legislature increased FTE by 17.45 in the 2007 biennium over the base budget. Total funding increased by \$6.7 million when comparing the 2007 biennium budget with the base budget. General fund increased by \$7.2 million, state special revenues decreased by \$1.6 million, and federal funds increased by \$1.1 million. The reasons for these changes are as follows:

- General fund increases by \$7.2 million over the base budget mostly due to:
 - An appropriation for the purchase of case management software licenses for district courts and courts of limited jurisdiction for \$1.1 million
 - \$3.9 million and 17.00 FTE to support court information technology as per the provision of HB 536
 - \$0.4 million and 4.95 FTE to support district court work load
 - Funding for public defender costs of \$2.3 million
 - Funding of \$2.0 million for forensic psychiatric evaluations to determine a defendant's fitness to proceed in a criminal trial
 - Transfer \$8.2 million and 1.50 FTE to the Statewide Public Defender Office as per the provisions of SB 146
 - \$0.4 million and 4.00 FTE for a new judgeship in the 18th Judicial District in Gallatin County as per the provisions of SB 18
 - \$2.2 million from HB 447 pay plan increase
 - Statewide present law adjustments
- State special funds decrease by \$1.6 million from the base budget mostly due to:
 - The removal of 14.00 FTE and \$2.7 million that supported court information technology

- An appropriation of \$0.3 million for fees collected from youth courts used to maintain video conferencing equipment
 - An increase of 7.00 FTE and \$0.8 million to accelerate the water adjudication process as per the provisions of HB 22
- Federal funds increased by \$1.1 million over the base budget mostly due to the approval of an appropriation for various federal grants

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Supreme Court Operations	\$ 12,218,281	\$ 364,651	\$ 392,135	\$ 12,975,067	17.59%
02 Boards And Commissions	495,075	50,000	-	545,075	0.74%
03 Law Library	1,669,612	-	-	1,669,612	2.26%
04 District Court Operations	54,027,928	300,000	1,000,000	55,327,928	75.00%
05 Water Courts Supervision	-	2,440,700	-	2,440,700	3.31%
06 Clerk Of Court	808,874	-	-	808,874	1.10%
Grand Total	\$ 69,219,770	\$ 3,155,351	\$ 1,392,135	\$ 73,767,256	100.00%

The general fund supports the Supreme Court Operations program, the Boards and Commissions Program, the State Law Library, the District Court Operations Program, and the Clerk of the Supreme Court.

State special funds include:

- A fee charged to holders of water rights to fund the acceleration of the adjudication of water rights.
- A filing fee for divorce cases used to pay for the defense of indigent victims of domestic violence.
- Funds from counties that are used to pay for employee leave liabilities that came from the assumption of the District Courts.
- Funds collected by youth courts for the cost of treatment, counseling, and other support for community programs for youth and juvenile offenders involved in youth courts.
- Fees imposed by the Courts of Limited Jurisdiction that are used for training judges and funding from attorney investigation repayments.
- Funds from the resource indemnity and ground water assessment (RIGWA) tax and interest from the Resource Indemnity Trust (RIT) to fund the Water Court's operations.

Federal funds are used to manage the court assessment program, the court-appointed special advocate program, and various programs within the judicial districts.

Other Legislation

House Bill 22 – This bill provides for a fee on the users of water rights to be directed to a state special revenue account that will be used to fund the acceleration of the adjudication of water rights. The Water Court Supervision program will receive a portion of this fee to fund the addition of 7.00 FTE and associated operating costs to assist in the acceleration process. (This legislation was deemed void by the code commissioner due to the fact that sufficient funding was not made available from other sources. Subsequently a request for a legal opinion has been made to the Attorney General. Codification of the bill is on hold until this opinion is received.)

House Bill 536 – This bill (combined with HB 2) provides for general fund of \$1,935,000 in each fiscal year to add 17.00 FTE and operating costs to support the Judiciary's information technology program. The bill removes the termination date for the \$10 court automation surcharge and the proceeds from that surcharge are to be deposited into the general fund.

Senate Bill 18 – This bill provides general fund of \$157,477 and 2.00 FTE in FY 2006 and \$270,615 and 4.00 FTE in FY 2007 to support a new judgeship in the 18th Judicial District in Gallatin County.

Senate Bill 146 – This bill establishes the statewide public defender system and transfers from the Judiciary to the Office of the Public Defender 1.50 FTE and general fund of \$8.2 million beginning July 1, 2006 related to payments for defense of indigent individuals accused of a crime in district court proceedings.

Senate Bill 355 – This bill revises the payment of transcript fees to court reporters and requires the Judiciary to pay for transcripts requested by the state attorney general or county attorneys in appeals to a district court ruling in a criminal trial.

Senate Bill 406 – This bill provides state special revenue from an increase in the filing fee for dissolution of marriage petition and uses these funds for legal assistance for indigent victims of domestic violence.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	374.68	379.13	391.13	12.00	379.13	392.13	13.00	
Personal Services	20,667,511	22,688,330	23,288,079	599,749	22,002,333	24,326,428	2,324,095	2,923,844
Operating Expenses	12,040,075	17,272,533	17,291,168	18,635	16,180,334	8,210,966	(7,969,368)	(7,950,733)
Equipment	303,670	320,980	320,980	0	329,635	329,635	0	0
Grants	535,058	0	0	0	0	0	0	0
Total Costs	\$33,546,314	\$40,281,843	\$40,900,227	\$618,384	\$38,512,302	\$32,867,029	(\$5,645,273)	(\$5,026,889)
General Fund	31,031,278	37,851,033	38,649,709	798,676	36,725,110	30,570,061	(6,155,049)	(5,356,373)
State/Other Special	2,378,886	1,738,300	1,555,975	(182,325)	1,094,882	1,599,376	504,494	322,169
Federal Special	136,150	692,510	694,543	2,033	692,310	697,592	5,282	7,315
Total Funds	\$33,546,314	\$40,281,843	\$40,900,227	\$618,384	\$38,512,302	\$32,867,029	(\$5,645,273)	(\$5,026,889)

The legislative budget is \$0.6 million and 12.00 FTE above the executive budget for FY 2006 and has 13.00 more FTE but \$5.6 million less funding for FY 2007. The major changes from the executive budget are:

- The legislature reduced the executive budget request for general fund of \$1.4 million to purchase software licenses for district courts and courts of limited jurisdiction by \$0.3 million in FY 2006.
- The legislature approved the Judiciary's request for \$9,367 in FY 2006 and \$9,301 in FY 2007 in general fund to provide matching funds for the CASA program. This program is funded with 75 percent federal funds and 25 percent general fund.
- The legislature did not approve \$75,000 in general fund for a work assessment study in fiscal 2006.
- The legislature approved state special revenue to support youth court community programs. However, the legislature reduced the executive request by \$3,562 in each fiscal year of the biennium from \$153,562 to \$150,000. These programs are funded with a state special revenue received from users of the court's video conferencing equipment.
- The legislature did not approve the removal of 5.00 FTE and \$0.3 million in general fund from each year of the biennium in district court operations.
- The legislature did not approve 1.50 FTE and general fund of \$0.1 million in FY 2006 and 1.50 FTE and general fund of \$0.1 million in FY 2007 to support an appellate mediator function.
- The legislature approved 6.50 FTE and \$416,690 in state special revenue in FY 2006 and 7.00 FTE and \$416,690 in state special revenue in FY 2007 to accelerate the water adjudication process. A fee assessed on the holders of water rights funds this activity.

- The legislature approved the transfer of 1.50 FTE and \$43,725 in general fund in FY 2007 from Supreme Court Operations to the Statewide Public Defender Office as per the provisions of SB 146.
- The legislature approved general fund of \$209,508 in FY 2006 to support legal services for indigent parents in child abuse and neglect cases.
- The legislature approved \$23,530 in FY 2006 and \$31,370 in FY 2007 in state special revenue to allow for increased payments to a nonprofit organization to render legal services to indigent persons in domestic violence cases. This funding is in accordance with SB 406.
- The legislature approved \$5,000 in general fund for each year of the 2007 biennium to cover increased costs of transcripts requested by the county attorney or the attorney general when appealing district court rulings in a criminal trial.
- The legislature approved general fund of \$157,477 and 2.00 FTE in FY 2006 and general fund of \$270,615 and 4.00 FTE in FY 2007 to support a new judgeship in the 18th Judicial District.
- The legislature approved the transfer of \$8.1 million in FY 2007 from the District Court Operations program to the Statewide Public Defender Office as per the provisions of SB 146.
- The legislature approved pay plan increases in HB 447 of \$0.6 million in FY 2006 and \$1.6 million in FY 2007.

Governor Line-Item Veto

The governor vetoed a line item that had \$0.6 million to fund vacation and sick leave for county employees that became state employees as per the district court assumption.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	52.00	(14.00)	17.00	55.00	(14.00)	15.50	53.50	53.50
Personal Services	3,088,183	(459,221)	963,540	3,592,502	(460,896)	1,067,357	3,694,644	7,287,146
Operating Expenses	1,123,215	93,295	2,187,356	3,403,866	58,229	1,102,611	2,284,055	5,687,921
Equipment	0	0	0	0	0	0	0	0
Grants	535,058	(535,058)	0	0	(535,058)	0	0	0
Total Costs	\$4,746,456	(\$900,984)	\$3,150,896	\$6,996,368	(\$937,725)	\$2,169,968	\$5,978,699	\$12,975,067
General Fund	3,102,822	400,140	3,122,456	6,625,418	363,599	2,126,442	5,592,863	12,218,281
State/Other Special	1,507,484	(1,357,484)	26,407	176,407	(1,357,484)	38,244	188,244	364,651
Federal Special	136,150	56,360	2,033	194,543	56,160	5,282	197,592	392,135
Total Funds	\$4,746,456	(\$900,984)	\$3,150,896	\$6,996,368	(\$937,725)	\$2,169,968	\$5,978,699	\$12,975,067

Program Description

This program contains funding to support the operations of the Supreme Court and the operations of the Office of the Court Administrator. The Supreme Court has appellate jurisdiction for the State of Montana and original jurisdiction to issue, hear, and determine writs of habeas corpus and other such writs as may be provided by law. It also has general supervisory control over all other courts in the state including the responsibility for the management of district court costs and operations. The Supreme Court administers the federal court assessment program and the court-appointed special advocate program. The Supreme Court is charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, admission to the bar, and the conduct of its members. The Supreme Court consists of a Chief Justice and six justices. The Office of the Court Administrator provides administrative services for all of the programs under the Judiciary, including: accounting and budgeting, human resources, and information technology.

Program Highlights

Judiciary Supreme Court Operations Major Budget Highlights	
<ul style="list-style-type: none"> ○ General fund increases by \$6.0 million over the base budget due to: <ul style="list-style-type: none"> • An appropriation to purchase software licenses for District Courts and Courts of Limited Jurisdiction for \$1.1 million • 17.00 FTE and \$3.9 million to support court automation • \$0.3 million from HB 447 pay plan increase • Statewide present law statewide adjustments • Transfer of 1.50 FTE and \$44,000 to the Statewide Public Defender Office ○ State special funds decreased by \$2.6 million from the base budget due to the removal of 14.00 FTE and funding for the court automation program as per a funding switch authorized in HB 536 	

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Supreme Court Operations					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 3,102,822	65.4%	\$ 6,625,418	94.7%	\$ 5,592,863	93.5%
	01100 General Fund	3,102,822	65.4%	6,625,418	94.7%	5,592,863	93.5%
02000	Total State Special Funds	1,507,484	31.8%	176,407	2.5%	188,244	3.1%
	02342 Court Automation Surcharge	1,357,484	28.6%	2,877	0.0%	6,874	0.1%
	02536 Legal Assistance	150,000	3.2%	173,530	2.5%	181,370	3.0%
03000	Total Federal Special Funds	136,150	2.9%	194,543	2.8%	197,592	3.3%
	03230 Fed Grant-Pass-Thru-Jud	136,150	2.9%	194,543	2.8%	197,592	3.3%
Grand Total		\$ 4,746,456	100.0%	\$ 6,996,368	100.0%	\$ 5,978,699	100.0%

This program is funded primarily with general fund and a minor amount of state special and federal funds. State special funds include a filing fee for divorce cases that is earmarked to pay for the legal defense costs of indigent victims of domestic violence. Federal grants support a grant manager, the court assessment program, and the court-appointed special advocate program. These funds require a 25 percent match, which is met with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				216,847					213,886
Inflation/Deflation				(3,724)					(3,637)
Fixed Costs				179,559					144,480
Total Statewide Present Law Adjustments				\$392,682					\$354,729
DP 4 - Eliminate District Court Automation Program									
(14.00)	0	(1,369,312)	0	(1,369,312)	(14.00)	0	(1,368,109)	0	(1,368,109)
DP 5 - Court Assessment/CASA									
0.00	0	0	66,279	66,279	0.00	0	0	66,354	66,354
DP 306 - Court Assessment/CASA - General Fund									
0.00	9,367	0	0	9,367	0.00	9,301	0	0	9,301
Total Other Present Law Adjustments									
(14.00)	\$9,367	(\$1,369,312)	\$66,279	(\$1,293,666)	(14.00)	\$9,301	(\$1,368,109)	\$66,354	(\$1,292,454)
Grand Total All Present Law Adjustments				(\$900,984)					(\$937,725)

DP 4 - Eliminate District Court Automation Program - The legislature approved the elimination of the court automation program that was funded with a \$10.00 surcharge on certain court case filings as authorized by 3-1-317, MCA. This surcharge is earmarked to pay for the court automation program and expires at the end of FY 2005. Therefore, this decision package eliminates the budget for the program as funded by this surcharge. The function will be funded with general fund (refer to DP 111).

DP 5 - Court Assessment/CASA - The legislature approved \$132,633 in federal funds that support the Court Assessment Program (CAP) and the Court Appointed Special Advocate Program (CASA). CAP provides for the evaluation of the effectiveness of child abuse and neglect proceedings within the Montana legal system. This program is funded with 75

percent federal funds and 25 percent general fund (see DP 306). The CASA program is a federal program that provides for court appointed special advocates to represent youth in child abuse and neglect proceedings.

DP 306 - Court Assessment/CASA - General Fund - The legislature approved general fund to support the matching requirement for federal funding for the Court Assessment Program and the Court Appointed Special Advocate Program. This matching requirement is 25 percent of the total funding and federal funding represents 75 percent of the funding.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5 - Purchase Software Licenses - OTO										
01	0.00	1,095,000	0	0	1,095,000	0.00	0	0	0	0
DP 111 - Support information Technology for the Judicial Br										
01	17.00	1,935,000	0	0	1,935,000	17.00	1,935,000	0	0	1,935,000
DP 307 - Transfer FTE to Public Defender										
01	0.00	0	0	0	0	(1.50)	(43,725)	0	0	(43,725)
DP 309 - Indigent Victims Domestic Violence										
01	0.00	0	23,530	0	23,530	0.00	0	31,370	0	31,370
DP 6010 - 2007 Biennium Pay Plan - HB 477										
01	0.00	92,456	2,877	2,033	97,366	0.00	235,167	6,874	5,282	247,323
Total	17.00	\$3,122,456	\$26,407	\$2,033	\$3,150,896	15.50	\$2,126,442	\$38,244	\$5,282	\$2,169,968

DP 5 - Purchase Software Licenses - OTO - The legislature approved a one-time-only, restricted, and biennial appropriation to purchase initial software application licenses for district courts and the remaining courts of limited jurisdiction. The court software is the "JSI-Full Court Case Management System."

DP 111 - Support Information Technology for the Judicial Branch - The legislature approved 17.00 FTE and \$1,935,000 in general fund in FY 2006 and 17.00 FTE and \$1,935,000 in general fund in FY 2007 to support the information technology program for the Judicial branch. HB 536 extended the \$10.00 surcharge on certain court filings and directed that it be deposited into the general fund. Revenues are anticipated to be approximately \$1.6 million per fiscal year.

DP 307 - Transfer FTE to Public Defender - The legislature approved the transfer of 1.50 FTE and \$43,725 in general fund in FY 2007 from the Supreme Court Operations to the Office of Public Defender to support the new office. This transfer is in relation to SB 146.

DP 309 - Indigent Victims Domestic Violence - The legislature approved state special revenue of \$23,530 in FY 2006 and \$31,370 in FY 2007 to support legal assistance for indigent victims of domestic violence. The state special revenue is from a \$10.00 increase on the fee for petition for dissolution of marriage.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00	3.00
Personal Services	79,543	39,501	3,525	122,569	39,326	9,232	128,101	250,670
Operating Expenses	135,657	24,043	0	159,700	(952)	0	134,705	294,405
Total Costs	\$215,200	\$63,544	\$3,525	\$282,269	\$38,374	\$9,232	\$262,806	\$545,075
General Fund	215,200	38,544	3,525	257,269	13,374	9,232	237,806	495,075
State/Other Special	0	25,000	0	25,000	25,000	0	25,000	50,000
Total Funds	\$215,200	\$63,544	\$3,525	\$282,269	\$38,374	\$9,232	\$262,806	\$545,075

Program Description

The Boards and Commissions Program oversees functions assigned to the Supreme Court either by legislative or constitutional mandate. The program manages judicial discipline, rules, and other substantive matters aimed at improving and maintaining the administration of justice. Commissions and boards included in the program are the Judicial Standards Commission; Sentence Review Commission; Commission on Practice; Commission on Courts of Limited Jurisdiction; and the Judicial Nominations Commission.

Program Highlights

Judiciary Boards and Commissions Major Budget Highlights	
♦	Total funding increases by \$114,000 over the base budget due to:
•	\$25,000 appropriation for judicial standards investigations
•	HB 447 pay plan increases
•	Statewide present law adjustments

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding Table Boards And Commissions							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 215,200	100.0%	\$ 257,269	91.1%	\$ 237,806	90.5%
	01100 General Fund	215,200	100.0%	257,269	91.1%	237,806	90.5%
02000	Total State Special Funds	-	-	25,000	8.9%	25,000	9.5%
	02399 Boards And Commissions - Mji	-	-	25,000	8.9%	25,000	9.5%
Grand Total		\$ 215,200	100.0%	\$ 282,269	100.0%	\$ 262,806	100.0%

This program is funded with a combination of general fund and state special revenues. State special revenue is from a fee imposed by the courts of limited jurisdiction for training and attorney investigation repayments.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				39,501					39,326
Inflation/Deflation				(117)					(112)
Fixed Costs				(840)					(840)
Total Statewide Present Law Adjustments				\$38,544					\$38,374
DP 2 - Judicial Standards Investigations - Rest/Biennial									
0.00	25,000	0	0	25,000	0.00	0	0	0	0
Total Other Present Law Adjustments									
0.00	\$25,000	\$0	\$0	\$25,000	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments				\$63,544					\$38,374

DP 2 - Judicial Standards Investigations - Restricted/Biennial - The legislature approved \$25,000 in general fund that would be both a restricted and a biennial appropriation for the constitutionally mandated Judicial Standards Commission. This commission investigates complaints and makes recommendations regarding the conduct of judicial officers. The amounts that were expended during FY 2004 were removed from the base because this is a zero based expenditure. This funding can only be used to pay for the investigations of complaints against judges. If the costs were not incurred, the funds would revert to the general fund.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 477										
02	0.00	3,525	0	0	3,525	0.00	9,232	0	0	9,232
Total	0.00	\$3,525	\$0	\$0	\$3,525	0.00	\$9,232	\$0	\$0	\$9,232

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	7.50	0.00	0.00	7.50	0.00	0.00	7.50	7.50
Personal Services	333,852	26,123	10,377	370,352	25,764	27,034	386,650	757,002
Operating Expenses	131,447	(450)	0	130,997	(449)	0	130,998	261,995
Equipment	303,670	17,310	0	320,980	25,965	0	329,635	650,615
Total Costs	\$768,969	\$42,983	\$10,377	\$822,329	\$51,280	\$27,034	\$847,283	\$1,669,612
General Fund	768,969	42,983	10,377	822,329	51,280	27,034	847,283	1,669,612
Total Funds	\$768,969	\$42,983	\$10,377	\$822,329	\$51,280	\$27,034	\$847,283	\$1,669,612

Program Description

The State Law Library houses reference materials used by the Supreme Court, lower courts, the legislature, state officers and employees, members of the bar, and the general public. The collection includes legal materials from the federal government and all 50 states, as well as Canada. Some of the books and materials contained in the library include treatises, law reviews, reports, microfilm, and audio/video tapes for continuing legal education. A party may access much of the Library's information on their Internet site. The State Law Library is governed by a Board of Trustees, which consists of the Supreme Court justices.

Program Highlights

Judiciary Law Library Major Budget Highlights	
♦	Total funding increases by \$132,000 over the base budget due to: <ul style="list-style-type: none"> • Statewide present law adjustments • HB 447 pay plan increases

Funding

This program is funded primarily with general fund. The library recovers certain costs by charging fees for copies, faxes, and the rental of audio/video cassettes. These fees are deposited into the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				26,123					25,764
Inflation/Deflation				(40)					(39)
Inflation/Deflation				17,310					25,965
Fixed Costs				(410)					(410)
Total Statewide Present Law Adjustments				\$42,983					\$51,280
Grand Total All Present Law Adjustments				\$42,983					\$51,280

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 477										
03	0.00	10,377	0	0	10,377	0.00	27,034	0	0	27,034
Total	0.00	\$10,377	\$0	\$0	\$10,377	0.00	\$27,034	\$0	\$0	\$27,034

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Program Description

Law Library Enterprise Fund – The Law Library provides LEXIS access to approximately 30 LEXIS users. LEXIS is a legal search engine used to research case law by leading the user to numerous cases on selected subjects. It makes research more efficient and less time consuming. The Law Library purchases a bundle of licenses from LEXIS at a rate that is less expensive than purchasing a single license. The law library is billed by LEXIS monthly and, in turn, bills this service to approximately 30 users. These users include other state agencies, county attorneys, public defenders, and certain city and limited court judges. The rate set by the library for billing users is a simple average of the total cost divided by the number of users.

Proprietary Revenues and Expenses

The revenue is the amount collected from the library's customers and the expense is the invoice from LEXIS.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	295.68	0.00	6.95	302.63	0.00	8.95	304.63	304.63
Personal Services	16,262,315	792,697	791,878	17,846,890	756,065	1,687,576	18,705,956	36,552,846
Operating Expenses	10,509,709	1,529,314	1,311,828	13,350,851	1,938,364	(7,023,842)	5,424,231	18,775,082
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$26,772,024	\$2,322,011	\$2,103,706	\$31,197,741	\$2,694,429	(\$5,336,266)	\$24,130,187	\$55,327,928
General Fund	26,573,578	1,870,457	2,103,706	30,547,741	2,242,875	(5,336,266)	23,480,187	54,027,928
State/Other Special	198,446	(48,446)	0	150,000	(48,446)	0	150,000	300,000
Federal Special	0	500,000	0	500,000	500,000	0	500,000	1,000,000
Total Funds	\$26,772,024	\$2,322,011	\$2,103,706	\$31,197,741	\$2,694,429	(\$5,336,266)	\$24,130,187	\$55,327,928

Program Description

The District Court Operations Program is actually two programs: the District Court Operations Program and the District Court Assumption Program. Together these programs fund most of the costs of the state's district court operations that comprise the 22 judicial districts. These costs include the salaries, travel, and training costs for 42 district judges and the judges' law clerks, administrative personnel, and other support staff. The district court assumption program also funds public defender services provided in the district courts, including payments to seven county-managed public defender offices, payments to private attorneys for public defender services, payments for certain evaluations of individuals accused of a crime, private investigator services, and witness fees and expenses. This program does not fund the costs related to the clerks of court or other elected officials. District courts are general jurisdiction trial courts that have original jurisdiction in all criminal felony cases, civil matters, and cases of law.

Program Highlights

Judiciary	
District Court Operations Program	
Major Budget Highlights	
♦	<p>Total funding increased by \$4.4 million in FY 2006 and decreased by \$2.6 million in FY 2007 mostly due to:</p> <ul style="list-style-type: none"> • Funding for public defender costs in FY 2006 of \$2.3 million • Forensic psychiatric evaluations to determine a defendant's fitness to proceed of \$2.0 million for the biennium • A decrease of \$8.1 million in FY 2007 due to the transfer of the public defender function and costs to the Office of The Public Defender • 4.00 FTE and \$0.4 million to support a new judgeship in the 18th Judicial District for the biennium • \$1.7 million from HB 447 pay plan increase for the biennium • Federal funds increased by \$1.0 million mostly due to the approval of an appropriation for various federal grants

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table District Court Operation					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 26,573,578	99.3%	\$ 30,547,741	97.9%	\$ 23,480,187	97.3%
	01100 General Fund	26,573,578	99.3%	30,547,741	97.9%	23,480,187	97.3%
02000	Total State Special Funds	198,446	0.7%	150,000	0.5%	150,000	0.6%
	02141 District Court Crim. Reimb.	71,439	0.3%	150,000	0.5%	150,000	0.6%
	02788 Acc. Cty Sick/Vacation Leave	127,007	0.5%	-	-	-	-
03000	Total Federal Special Funds	-	-	500,000	1.6%	500,000	2.1%
	03230 Fed Grant-Pass-Thru-Jud	-	-	500,000	1.6%	500,000	2.1%
Grand Total		\$ 26,772,024	100.0%	\$ 31,197,741	100.0%	\$ 24,130,187	100.0%

This program is primarily funded with general fund. Court accessed fines, fees, and forfeitures are deposited in the general fund. State special revenues from fees collected from the use of video conferencing equipment support community programs for youths and juvenile offenders involved in youth courts. Federal funding supports various grants in the judicial districts.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				792,697					756,065
Inflation/Deflation				(6,621)					(6,510)
Fixed Costs				(6,475)					(6,475)
Total Statewide Present Law Adjustments				\$779,601					\$743,080
DP 6 - Court Recording Equipment									
0.00	34,495	0	0	34,495	0.00	0	0	0	0
DP 4302 - Annualize Motor Pool Lease Costs - JPOs									
0.00	8,414	0	0	8,414	0.00	8,414	0	0	8,414
DP 4303 - Annualize Motor Pool Lease Costs - DC Judges									
0.00	10,543	0	0	10,543	0.00	10,543	0	0	10,543
DP 4511 - Restore Variable Cost Funding that was OTO									
0.00	838,958	0	0	838,958	0.00	1,282,392	0	0	1,282,392
DP 4512 - Misc. Federal Grants									
0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 4516 - Youth Courts-Community Programs/Video Conferencing									
0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
Total Other Present Law Adjustments									
0.00	\$892,410	\$150,000	\$500,000	\$1,542,410	0.00	\$1,301,349	\$150,000	\$500,000	\$1,951,349
Grand Total All Present Law Adjustments				\$2,322,011					\$2,694,429

DP 6 - Court Recording Equipment - The legislature approved \$34,495 in FY 2006 for the purchase of recording systems for three judicial districts at a cost of \$10,000 per unit and \$4,495 to purchase real-time equipment and software. The legislature approved this request as one-time-only, restricted, and biennial.

DP 4302 - Annualize Motor Pool Lease Costs - JPOs - The legislature approved \$8,414 in general fund in each fiscal year of the 2007 biennium on top of a FY 2004 base of \$9,864 to annualize the cost of motor pool leases for juvenile probation officers. The leases have not been in effect the entire year and some of the juvenile probation officers did not have a leased vehicle the entire year.

DP 4303 - Annualize Motor Pool Lease Costs - DC Judges - The legislature approved \$10,543 in general fund in each fiscal year of the 2007 biennium on top of the FY 2004 base of \$8,939 to annualize the cost of motor pool leases for judges. The leases have not been in effect the entire year because not all judges had a leased vehicle the entire year. Therefore, there is only a partial year lease cost in the base year. The addition provides funding for eight vehicles.

DP 4511 - Restore Variable Cost Funding that was OTO - The legislature approved \$838,958 of general fund in FY 2006 and \$1,282,392 in FY 2007 for variable costs in the district court assumption program. The 2003 Legislature provided up to \$1,800,000 of authority for district court expenses to be funded with 2003 biennium general fund reverted appropriations branch wide. The Judiciary did use approximately \$1.0 million of this authority; however, it was removed from the base during the budgeting process because it was identified as a one-time-only expenditure. The funds were added back into the base to recognize the increased expenditures for public defender services in district court cases.

DP 4512 - Misc. Federal Grants - The legislature approved \$500,000 of federal appropriation authority per fiscal year for various federal grants. Currently, some counties continue to administer federal grants for the youth courts. The Legislative Audit Division has indicated that these activities should be recorded on the state accounting system.

DP 4516 - Youth Courts-Community Programs/Video Conferencing - The legislature approved \$150,000 per fiscal year of state special revenue authority for fees collected in Youth Courts and for video conferencing services. Youth Courts collect monies from youths for costs of treatment and counseling. The previous legislature authorized \$150,000 per year but only \$71,438 was spent, so the legislature added \$78,562 of authority to restore the authority to \$150,000 in each year. The legislature also added \$75,000 per year of authority for video conferencing services. The branch charges attorneys and others to use video conferencing equipment. The fees collected are used to operate and maintain the equipment.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Min. Standards - Judicial Support Staff										
04	4.95	198,276	0	0	198,276	4.95	179,958	0	0	179,958
DP 10 - Judicial Education - Rest. Biennial										
04	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 306 - Transfer Funding to Public Defender Program										
04	0.00	209,508	0	0	209,508	0.00	(8,093,435)	0	0	(8,093,435)
DP 308 - County Attorney Transcripts										
04	0.00	5,000	0	0	5,000	0.00	5,000	0	0	5,000
DP 311 - New Judgeship for Judicial District 18										
04	2.00	157,477	0	0	157,477	4.00	270,615	0	0	270,615
DP 4515 - Unfit to Proceed Costs										
04	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 6010 - 2007 Biennium Pay Plan - HB 477										
04	0.00	483,445	0	0	483,445	0.00	1,251,596	0	0	1,251,596
Total	6.95	\$2,103,706	\$0	\$0	\$2,103,706	8.95	(\$5,336,266)	\$0	\$0	(\$5,336,266)

DP 1 - Min. Standards - Judicial Support Staff - The legislature approved \$378,234 in general fund for the biennium to hire 4.95 FTE to be distributed amongst the following jurisdictions:

- Law clerk and youth court administrative assistant for Deer Lodge/Powell/Granite
- Law clerk and court administrator for Beaverhead/Madison/Jefferson
- Law clerk for Flathead
- Law clerk and administrative assistant for Garfield/Treasure/Rosebud/Custer/Powder River/Fallon/Carter

- Law clerk for Sanders/Lake
- Youth court administrative assistant for Judith Basin/Fergus/Petroleum

DP 10 - Judicial Education - Rest. Biennial - The legislature approved \$100,000 during the biennium for judicial education. This funding will be both restricted and biennial. This proposal provides funding for:

- Training and travel for one out of state conference per year for each of the justices, the District Court judges, the Water Court judge and the Workers Compensation judge
- Training and travel for two new judges to attend the General Jurisdiction Conference at the National Judicial College in Reno, Nevada
- National speakers at the Montana Judges Association and the Courts of Limited Jurisdiction conferences

DP 306 - Transfer Funding to Public Defender Program - The legislature approved the establishment of a Statewide Public Defender Office as per SB 146. The District Court Operations program receives \$209,508 in FY 2006 and transfers \$8,093,435 of its variable cost funding to this office in FY 2007. The FY 2006 funding is to provide public defender services to indigent parents in child abuse and neglect cases.

DP 308 - County Attorney Transcripts - The legislature approved \$5,000 of general fund in each fiscal year of the biennium to fund costs related to transcripts requested by county attorneys or the attorney general when appealing district court rulings in a criminal trial.

DP 311 - New Judgeship for Judicial District 18 - The legislature approved a new judgeship for the 18th Judicial District. This includes general fund of \$157,477 and 2.00 FTE in FY 2006 and general fund of \$270,615 and 4.00 FTE in FY 2007.

DP 4515 - Unfit to Proceed Costs - The legislature approved \$1,000,000 in general fund in each fiscal year of the biennium to pay for forensic psychiatric evaluations. These evaluations are necessary when a defendant is committed to the Montana State Hospital at Warm Springs under a district court order to determine the fitness of that individual to proceed in a criminal case against that individual. The Department of Public and Health and Human Services (DPHHS) discovered that for several years they had not been billing for these evaluations and have decided that they will bill the branch beginning in FY 2005 and thereafter. There is no net impact to the general fund, as DPHHS will deposit all assessments to the general fund.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	11.00	0.00	6.50	17.50	0.00	7.00	18.00	18.00
Personal Services	568,454	94,239	337,851	1,000,544	93,369	380,054	1,041,877	2,042,421
Operating Expenses	104,502	(5)	99,527	204,024	(5)	89,758	194,255	398,279
Total Costs	\$672,956	\$94,234	\$437,378	\$1,204,568	\$93,364	\$469,812	\$1,236,132	\$2,440,700
State/Other Special	672,956	94,234	437,378	1,204,568	93,364	469,812	1,236,132	2,440,700
Total Funds	\$672,956	\$94,234	\$437,378	\$1,204,568	\$93,364	\$469,812	\$1,236,132	\$2,440,700

Program Description

The Water Courts Supervision Program, located in Bozeman, adjudicates claims of existing water rights in Montana and supervises the distribution of water among the four water divisions of the state, as defined in 3-7-102, MCA.

Program Highlights

Judiciary Water Courts Supervision Major Budget Highlights	
♦	State special revenue increases by \$1.1 million over the base budget mostly due to:
•	An addition of 7.00 FTE and \$0.8 million to accelerate the water adjudication process
•	\$0.1 million for HB 447 pay plan increases
•	Statewide present law adjustments

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding Table Water Courts Supervision							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 672,956	100.0%	\$ 1,204,568	100.0%	\$ 1,236,132	100.0%
	02272 Renewable Resources Grnt/Loans	672,956	100.0%	787,878	65.4%	819,442	66.3%
	02431 Water Adjudication	-	-	416,690	34.6%	416,690	33.7%
Grand Total		\$ 672,956	100.0%	\$ 1,204,568	100.0%	\$ 1,236,132	100.0%

This program is funded with state special revenue from the renewable resource grant and loan account. These accounts include the resource indemnity and ground water assessment (RIGWA) tax, as well as interest earnings on the resource indemnity trust (RIT). This program is also funded with a fee charged to the holders of water rights that is used to fund the acceleration of the water rights adjudication process.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					94,239					93,369
Inflation/Deflation					(5)					(5)
Total Statewide Present Law Adjustments					\$94,234					\$93,364
Grand Total All Present Law Adjustments					\$94,234					\$93,364

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 307 - Accelerate Water Adjudication Process										
05	6.50	0	416,690	0	416,690	7.00	0	416,690	0	416,690
DP 6010 - 2007 Biennium Pay Plan - HB 477										
05	0.00	0	20,688	0	20,688	0.00	0	53,122	0	53,122
Total	6.50	\$0	\$437,378	\$0	\$437,378	7.00	\$0	\$469,812	\$0	\$469,812

DP 307 - Accelerate Water Adjudication Process - The legislature approved \$416,690 in FY 006 and \$416,690 in FY 2007 in state special revenue to fund the acceleration of the water adjudication process in the state.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
ITF	5.50	0.00	0.00	5.50	0.00	0.00	5.50	5.50
Personal Services	335,164	10,599	9,459	355,222	9,565	24,471	369,200	724,422
Operating Expenses	35,545	6,185	0	41,730	7,177	0	42,722	84,452
Total Costs	\$370,709	\$16,784	\$9,459	\$396,952	\$16,742	\$24,471	\$411,922	\$808,874
General Fund	370,709	16,784	9,459	396,952	16,742	24,471	411,922	808,874
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$370,709	\$16,784	\$9,459	\$396,952	\$16,742	\$24,471	\$411,922	\$808,874

Program Description

The Clerk of Court Program performs support and operational duties for the Supreme Court, as outlined in Title 3, Chapter 2, part 4, MCA. The program keeps the court records and files, issues writs and certificates, approves bonds, files all papers and transcripts, and performs other duties as required.

Program Highlights

Judiciary Clerk of Court Major Budget Highlights	
♦	Total funding increases about \$67,500 over the base budget mostly due to: <ul style="list-style-type: none"> • An adjustment for additional storage space for court records • HB 447 pay plan increases • Statewide present law adjustments

Funding

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					10,599					9,565
Inflation/Deflation					(19)					(18)
Fixed Costs					(787)					(787)
Total Statewide Present Law Adjustments					\$9,793					\$8,760
DP 222 - Restore Clerk of Court Operating Budget	0.00	6,000	0	0	6,000	0.00	6,000	0	0	6,000
DP 6001 - Records Storage	0.00	991	0	0	991	0.00	1,982	0	0	1,982
Total Other Present Law Adjustments	0.00	\$6,991	\$0	\$0	\$6,991	0.00	\$7,982	\$0	\$0	\$7,982
Grand Total All Present Law Adjustments					\$16,784					\$16,742

DP 222 - Restore Clerk of Court Operating Budget - The legislature approved a general fund increase of \$6,000 in FY 2006 and \$6,000 in FY 2007. These funds will be used to bring this budget to the FY 2004 level.

DP 6001 - Records Storage - The legislature approved \$991 for FY 2006 and \$1,982 for FY 2007 for a total of \$2,973 for the 2007 biennium for records storage. Section 3-2-402, MCA requires that the Clerk of the Supreme Court be responsible for the retention of Supreme Court records. The clerk's vault has capacity to house approximately three calendar years of Supreme Court case files. At the end of June 2004, the clerk's vault reached its storage capacity and the clerk is preparing to transfer closed cases from the years 2001 and 2002 to Records Management under the Secretary of State. The clerk estimates that 560 additional boxes of information would be transferred to the Records Management facility, which charges a storage fee for each box.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 477										
06	0.00	9,459	0	0	9,459	0.00	24,471	0	0	24,471
Total	0.00	\$9,459	\$0	\$0	\$9,459	0.00	\$24,471	\$0	\$0	\$24,471

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	60.00	(3.43)	2.50	59.07	(3.43)	2.50	59.07	59.07
Personal Services	2,925,593	503,727	294,970	3,724,290	496,134	448,919	3,870,646	7,594,936
Operating Expenses	1,456,701	282,259	336,455	2,075,415	209,708	331,885	1,998,294	4,073,709
Grants	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,382,294	\$785,986	\$631,425	\$5,799,705	\$705,842	\$780,804	\$5,868,940	\$11,668,645
General Fund	4,226,670	829,430	630,967	5,687,067	749,486	779,602	5,755,758	11,442,825
State/Other Special	45,247	46,933	0	92,180	46,733	0	91,980	184,160
Federal Special	110,377	(90,377)	458	20,458	(90,377)	1,202	21,202	41,660
Total Funds	\$4,382,294	\$785,986	\$631,425	\$5,799,705	\$705,842	\$780,804	\$5,868,940	\$11,668,645

Agency Description

The Office of the Governor exists under authority granted in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana. The Governor appoints all military and civil officers of the state whose appointments are provided for by statute or the constitution, grants reprieves and pardons, and serves on various boards and commissions. The Governor approves or vetoes legislation, reports to the legislature on the condition of the state, and submits a biennial executive budget. The Governor also represents the state in relations with other governments and the public.

Agency Highlights

Governor's Office Major Budget Highlights	
<p>The legislative budget exceeds the base budget by \$2.9 million to fund:</p> <ul style="list-style-type: none"> ◆ New Proposals of \$1.4 million for: <ul style="list-style-type: none"> • \$200,000 to implement a Board of Education staff position • \$600,000 to launch a Marketing Montana and Business Recruitment Program • \$360,000 to implement the HB 447 pay plan • \$257,000 to support changes in the mental health ombudsman position over the biennium comprising: <ul style="list-style-type: none"> ○ \$190,000 to replace discontinued federal funding ○ \$67,000 to expand the duties and responsibilities of the office¹ ◆ Statewide and other present law adjustments of \$1.5 million to fund: <ul style="list-style-type: none"> • \$227,000 in operating expenses • \$1.3 million in statewide present law adjustments ◆ The legislature transferred the Business Workforce Training / Grant Program to the Department of Commerce with a revised funding mechanism 	

¹ The Governor vetoed SB 385, which provides funding to expand the duties of the ombudsman. As of this writing, the override poll is in progress and it has not been determined if the veto will stand.

Summary of Legislative Action

The legislature approved a budget increase over the base that includes \$1.5 million in statewide and present law adjustments and \$1.4 million in new proposals.

The legislature approved a statewide present law increase of nearly \$1 million for personal services and related taxes, longevity, employee benefits, and health insurance, in addition to present law increases over the biennium for computer replacement, the air transportation and mansion maintenance programs, and increased costs for extradition of prisoners.

The legislature also approved new proposals of \$1.4 million for a Board of Education staff person, a Marketing Montana and Business Recruitment program, implementation of the pay plan adopted in HB 447, and replacement of federal funds as well as funding to increase the duties for the mental health ombudsman.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

		Program Funding Table Clerk Of Court					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 370,709	100.0%	\$ 396,952	100.0%	\$ 411,922	100.0%
	01100 General Fund	370,709	100.0%	396,952	100.0%	411,922	100.0%
Grand Total		<u>\$ 370,709</u>	<u>100.0%</u>	<u>\$ 396,952</u>	<u>100.0%</u>	<u>\$ 411,922</u>	<u>100.0%</u>

The programs within the Governor's Office are funded primarily with general fund. Authority to spend state or federal special revenue is usually associated with special projects related to grants.

Other Legislation

House Bill 5 - This bill provides \$20,000 general fund for an interim study of historic and cultural properties. The study is to be administered and monitored by the Governor's Office and funds are to be expended by the Department of Administration. The Governor's Office will send bills for costs associated with the study to the Department of Administration for payment because funds are appropriated to their long-range planning capital projects account.

House Bill 18 - This bill extends the duration of the State-Tribal Economic Development Commission through June 30, 2009. The bill provides an appropriation for the commission's anticipated carryover of state special revenue in the amount of \$120,000 for operating expenses and authority to spend \$2 million in federal special revenue should the commission receive federal grant funds.

House Bill 270 and 271 - These bills transfer the Business Workforce Training/Grant Program from the Governor's Office of Economic Development to the Department of Commerce and revise the funding mechanism from the Board of Investments' INTERCAP loan fund to the general fund. HB 270 moves the program, and HB 271 appropriates general fund for FY 2005. Appropriations for the 2007 biennium are in HB 2 under the Department of Commerce. There is further discussion of both bills in the Department of Commerce section of the Legislative Fiscal Report 2007 Biennium, Volume 4.

House Bill 769 - This bill appropriates \$50,000 each year of the biennium from the Department of Transportation's highway revenue account in state special revenue to establish the Rail Service Competition Council and fund its duties. The council is attached administratively to the Governor's Office, whose staff will provide budgetary and clerical services.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	60.00	59.57	59.07	(0.50)	59.57	59.07	(0.50)	
Personal Services	2,925,593	3,649,524	3,724,290	74,766	3,641,262	3,870,646	229,384	304,150
Operating Expenses	1,456,701	3,239,245	2,075,415	(1,163,830)	2,395,624	1,998,294	(397,330)	(1,561,160)
Grants	0	0	0	0	0	0	0	0
Transfers	0	380,000	0	(380,000)	0	0	0	(380,000)
Total Costs	\$4,382,294	\$7,268,769	\$5,799,705	(\$1,469,064)	\$6,036,886	\$5,868,940	(\$167,946)	(\$1,637,010)
General Fund	4,226,670	6,776,589	5,687,067	(1,089,522)	5,924,906	5,755,758	(169,148)	(1,258,670)
State/Other Special	45,247	472,180	92,180	(380,000)	91,980	91,980	0	(380,000)
Federal Special	110,377	20,000	20,458	458	20,000	21,202	1,202	1,660
Total Funds	\$4,382,294	\$7,268,769	\$5,799,705	(\$1,469,064)	\$6,036,886	\$5,868,940	(\$167,946)	(\$1,637,010)

The legislature approved a budget that was \$1.6 million lower than the executive recommendation.

Increases over the executive's recommendation included funding over the biennium for personal services support for the Office of Budget and Program Planning of \$95,000, and support for the mental health ombudsman position of \$257,000. The legislature did not approve \$500,000 for a federal relations office in Washington D.C., \$400,000 for an efficiency council, and \$380,000 in authority for an aircraft engine overhaul on the Governor's airplane. The legislature reduced operating expenses for the executive office by \$144,000 and the Marketing Montana and Business Recruitment Program by \$400,000.

The language contingencies that were not adopted addressed unanticipated increases in natural gas and electricity rates and the use of state fund dividends to reduce workers' compensation rates and promote a safer work environment. This action reduced general fund by \$1,950,000, state special revenue by \$1,170,000, and federal revenue by \$1,080,000.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	25.00	(2.37)	1.00	23.63	(2.37)	1.00	23.63	23.63
Personal Services	1,231,191	239,422	138,221	1,608,834	235,733	204,202	1,671,126	3,279,960
Operating Expenses	993,697	175,021	305,193	1,473,911	115,874	305,487	1,415,058	2,888,969
Grants	0	0	0	0	0	0	0	0
Total Costs	\$2,224,888	\$414,443	\$443,414	\$3,082,745	\$351,607	\$509,689	\$3,086,184	\$6,168,929
General Fund	2,224,888	342,263	443,414	3,010,565	279,627	509,689	3,014,204	6,024,769
State/Other Special	0	72,180	0	72,180	71,980	0	71,980	144,160
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$2,224,888	\$414,443	\$443,414	\$3,082,745	\$351,607	\$509,689	\$3,086,184	\$6,168,929

Program Description

The Executive Office Program aids the Governor in overseeing and coordinating the activities of the executive branch of Montana state government. The program provides administrative, legal, and press support and provides centralized services for the Office of the Governor. The Executive Office Program also administers programs with special impact on the citizens and governmental concerns of Montana, as well as the Office of Economic Opportunity, which was created to strengthen the foundations of the state's business environment and diversify and expand existing economic endeavors to achieve long-term economic stability.

Program Highlights

Executive Office Program Major Budget Highlights	
♦	The legislature approved a budget increase of \$1.7 million to support: <ul style="list-style-type: none"> • \$800,000 for a Board of Education staff position and the Marketing Montana and Business Recruitment Program • \$153,000 to implement the HB 447 pay plan • \$651,000 in statewide present law adjustments • \$115,000 in present law adjustments for operating costs

Funding

The following table summarizes funding for the program, by source, for the base year and the 2007 biennium as appropriated by the legislature.

		Program Funding Table Executive Office Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 2,224,888	100.0%	\$ 3,010,565	97.7%	\$ 3,014,204	97.7%
	01100 General Fund	2,224,888	100.0%	3,010,565	97.7%	3,014,204	97.7%
02000	Total State Special Funds	-	-	72,180	2.3%	71,980	2.3%
	02787 Workforce Training	-	-	72,180	2.3%	71,980	2.3%
Grand Total		\$ 2,224,888	100.0%	\$ 3,082,745	100.0%	\$ 3,086,184	100.0%

Funding for the Executive Office is primarily general fund, with a small amount of state special revenue associated with workforce and economic development.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				373,882					369,742
Vacancy Savings				(59,777)					(59,613)
Inflation/Deflation				(1,088)					(1,057)
Fixed Costs				30,371					(1,590)
Total Statewide Present Law Adjustments				\$343,388					\$307,482
DP 1 - Computer Replacement Schedule OTO									
0.00	40,736	0	0	40,736	0.00	21,641	0	0	21,641
DP 3 - Statewide FTE Reduction									
(0.37)	(23,870)	0	0	(23,870)	(0.37)	(23,793)	0	0	(23,793)
DP 4 - Decrease Operating Expenses									
0.00	(77,535)	0	0	(77,535)	0.00	(77,535)	0	0	(77,535)
DP 5 - Extradition of Prisoners									
0.00	40,800	0	0	40,800	0.00	40,800	0	0	40,800
DP 6 - Executive Staff Operating Adjustments									
0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 111 - Transfer Workforce Training Program									
(2.00)	0	(69,813)	0	(69,813)	(2.00)	0	(69,603)	0	(69,603)
DP 222 - Governor's Office Budget Increase - Partial OTO									
0.00	145,737	0	0	145,737	0.00	137,615	0	0	137,615
Total Other Present Law Adjustments									
(2.37)	\$140,868	(\$69,813)	\$0	\$71,055	(2.37)	\$113,728	(\$69,603)	\$0	\$44,125
Grand Total All Present Law Adjustments				\$414,443					\$351,607

DP 1 - Computer Replacement Schedule OTO - The legislature approved a one-time-only general fund increase of \$62,377 over the biennium for computer replacement in all programs of the Governor's Office. There are presently 61 computers. The office scheduled 32 computers for replacement in FY 2006 and 17 in FY 2007.

DP 3 - Statewide FTE Reduction - The legislature approved the permanent reduction of 0.37 FTE within the Office of Economic Development, reducing the general fund by approximately \$24,000 per year.

DP 4 - Decrease Operating Expenses - The legislature approved a general fund reduction of \$77,535 each year of the biennium for contracted services related to the Office of Economic Development. Related workload and tasks will transfer to staff positions to be filled during the 2007 biennium and funded through personal services.

DP 5 - Extradition of Prisoners - The legislature approved an increase of \$40,800 each year of the biennium for the Extradition of Prisoners Program. Under 46-30-411, MCA, the state is presented the bill from local governments for transporting individuals charged with serious crimes both directions between a pick up spot and the trial location. By law, the state is charged with auditing and paying the bill, but has no control over the variable costs driven by caseload and cost of transport. The approved increase brings the total to just under \$500,000 across the biennium.

DP 6 - Executive Staff Operating Adjustments - The legislature approved the addition of \$30,000 general fund in the 2007 biennium for travel and operating adjustments to return the program to the same operating budget as the FY 2000 level.

DP 111 - Transfer Workforce Training Program - The legislature approved the transfer of 2.00 FTE and \$139,416 of related state special revenue to the Department of Commerce from the Governor's Office of Economic Development. The FTE are attached to the Workforce Training Act that was redesigned and moved to the Department of Commerce.

DP 222 - Governor's Office Budget Increase - Partial OTO - The legislature approved \$282,862 of general fund for additional operating costs. Of this amount, \$62,587 in FY 2006 and \$53,815 in FY 2007 were designated as one-time-only funding for computer and conference room technology upgrades, staff development and training, conferences, research, and publications. The balance of this appropriation includes annual funding of \$40,000 for travel, \$19,000 toward the broadband pay plan, \$20,000 for consultants, as well as \$4,150 in FY 2006 and \$4,800 in FY 2007 for Information Technology Services Division storage and retrieval of images.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 7 - Board of Education Staff Person										
01	1.00	100,000	0	0	100,000	1.00	100,000	0	0	100,000
DP 334 - Marketing Mont. & Business Recruitment (Biennial)										
01	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	43,414	0	0	43,414	0.00	109,689	0	0	109,689
Total	1.00	\$443,414	\$0	\$0	\$443,414	1.00	\$509,689	\$0	\$0	\$509,689

DP 7 - Board of Education Staff Person - The legislature increased general fund by \$200,000 over the biennium for 1.00 FTE for a staff person for the Board of Education to provide direction, coordination, and follow-through by assisting the Governor, who serves as the chairman of the Board of Education. The Board of Education is comprised of the members of the Board of Regents and the Board of Public Education.

DP 334 - Marketing Montana and Business Recruitment (Biennial) - The legislature approved a biennial appropriation of \$600,000 general fund for marketing Montana and business recruitment with a requirement that the agency compile information for each of the items, proposals, or programs included in the proposal and report to the Legislative Finance Committee. See the language section for reporting requirements.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB 2. The Governor has indicated his intent to line-item veto the following language. However his authority to do so is questioned and may be challenged through legal action.

"The Marketing and Business Recruitment program of the governor's office shall develop goals, objectives, and performance indicators and submit interim reports to the legislative finance committee for the categories of personal services, institutional advertising, web site activity, travel, trade show activity, target research, promotional materials and telecommunications of the marketing Montana and business recruitment program. A written summary of interim reports must be presented to the government and transportation subcommittee at the 2007 legislative session. The dates and contents of the interim reports are:

- 1) By July 31, 2005: Provide a list of the intended results of each category. For each result, one of which must include the names of successfully recruited businesses and number of jobs created, provide a list of the performance indicators that will be used to measure the result, indicate who is responsible for ensuring attainment, and include a specific timeline indicating the stages and time needed to reach attainment.
- 2) By July 1, 2006: Provide a report on the success of meeting intended results including measures of the performance indicators, reasons for not meeting any intended results (if necessary), changes that are needed to meet intended results, and changes to performance indicators and/or timelines.
- 3) By November 15, 2006: Provide an update to the July 1, 2006, report on the success of meeting intended results including measures of the performance indicators, accomplishments to date, and if necessary, reasons for not meeting any intended results."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	53,188	(1,570)	1,812	53,430	(1,696)	4,799	56,291	109,721
Operating Expenses	16,295	43,614	0	59,909	43,608	0	59,903	119,812
Total Costs	\$69,483	\$42,044	\$1,812	\$113,339	\$41,912	\$4,799	\$116,194	\$229,533
General Fund	69,483	42,044	1,812	113,339	41,912	4,799	116,194	229,533
Total Funds	\$69,483	\$42,044	\$1,812	\$113,339	\$41,912	\$4,799	\$116,194	\$229,533

Program Description

The Mansion Maintenance Program maintains the Governor's official residence.

Program Highlights

Mansion Maintenance Major Budget Highlights	
♦	The 2007 legislative budget exceeds the FY 2004 base budget by \$90,600 to support: <ul style="list-style-type: none"> • \$87,000 for increased operating expenses of the Governor's Mansion • \$6,600 to implement the HB 447 pay plan • A reduction of \$3,000 in statewide present law adjustments

Funding

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					581					449
Vacancy Savings					(2,151)					(2,145)
Fixed Costs					114					108
Total Statewide Present Law Adjustments					(\$1,456)					(\$1,588)
DP 1 - Mansion Operating Expenses										
	0.00	18,500	0	0	18,500	0.00	18,500	0	0	18,500
DP 222 - Mansion Maintenance Program Budget Increase - OTO										
	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
Total Other Present Law Adjustments										
	0.00	\$43,500	\$0	\$0	\$43,500	0.00	\$43,500	\$0	\$0	\$43,500
Grand Total All Present Law Adjustments					\$42,044					\$41,912

DP 1 - Mansion Operating Expenses - The legislature approved the addition of \$37,000 general fund across the biennium to restore the budget to the FY 2000 level.

DP 222 - Mansion Maintenance Program Budget Increase - OTO - The legislature approved a one-time-only addition of \$50,000 general fund over the biennium for increased activities and related costs at the Governor's mansion.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
02	0.00	1,812	0	0	1,812	0.00	4,799	0	0	4,799
Total	0.00	\$1,812	\$0	\$0	\$1,812	0.00	\$4,799	\$0	\$0	\$4,799

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	1.00	0.50	0.00	1.50	0.50	0.00	1.50	1.50
Personal Services	30,278	33,042	1,859	65,179	32,973	4,862	68,113	133,292
Operating Expenses	173,422	57,675	0	231,097	47,693	0	221,115	452,212
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$203,700	\$90,717	\$1,859	\$296,276	\$80,666	\$4,862	\$289,228	\$585,504
General Fund	170,040	104,377	1,859	276,276	94,326	4,862	269,228	545,504
State/Other Special	33,660	(13,660)	0	20,000	(13,660)	0	20,000	40,000
Total Funds	\$203,700	\$90,717	\$1,859	\$296,276	\$80,666	\$4,862	\$289,228	\$585,504

Program Description

The Air Transportation Program provides the Governor with air transportation.

Program Highlights

Transportation Program Major Budget Highlights	
♦	The legislature approved a total budget that is \$178,000 greater than the FY 2004 base budget to support: <ul style="list-style-type: none"> • \$150,000 toward operating expenses for increased use of the Governor's aircraft • \$6,700 to implement the HB 447 pay plan • \$21,000 in statewide present law adjustments
♦	The legislature continued the agency's \$20,000 authority to expend state special revenue from airplane rental charges paid by other agencies

Funding

The following table summarizes funding for the program, by source, for the base year and the 2007 biennium as appropriated by the legislature.

Program Funding Table Air Transportation Progr							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 170,040	83.5%	\$ 276,276	93.2%	\$ 269,228	93.1%
	01100 General Fund	170,040	83.5%	276,276	93.2%	269,228	93.1%
02000	Total State Special Funds	33,660	16.5%	20,000	6.8%	20,000	6.9%
	02693 Air Transportation Special Rev	33,660	16.5%	20,000	6.8%	20,000	6.9%
Grand Total		<u>\$ 203,700</u>	<u>100.0%</u>	<u>\$ 296,276</u>	<u>100.0%</u>	<u>\$ 289,228</u>	<u>100.0%</u>

The program is funded with general fund and state special revenue from rental charges to other state agencies for use of the Governor's airplane.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					11,855					11,806
Vacancy Savings					(1,685)					(1,683)
Fixed Costs					547					543
Total Statewide Present Law Adjustments					\$10,717					\$10,666
DP 222 - Air Transportation Program Budget Increase										
	0.50	80,000	0	0	80,000	0.50	70,000	0	0	70,000
Total Other Present Law Adjustments										
	0.50	\$80,000	\$0	\$0	\$80,000	0.50	\$70,000	\$0	\$0	\$70,000
Grand Total All Present Law Adjustments					\$90,717					\$80,666

DP 222 - Air Transportation Program Budget Increase - The legislature approved \$150,000 general fund over the biennium for costs associated with air travel for the Governor and staff, of which \$45,700 is for additional pilot salaries, \$40,000 for pilot training, and \$64,300 for increased fuel and maintenance.

New Proposals

New Proposals										
Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	1,859	0	0	1,859	0.00	4,862	0	0	4,862
Total	0.00	\$1,859	\$0	\$0	\$1,859	0.00	\$4,862	\$0	\$0	\$4,862

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.00	0.00	0.00	20.00	0.00	0.00	20.00	20.00
Personal Services	1,034,136	201,404	33,968	1,269,508	199,045	86,056	1,319,237	2,588,745
Operating Expenses	135,419	17,978	0	153,397	14,563	0	149,982	303,379
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,169,555	\$219,382	\$33,968	\$1,422,905	\$213,608	\$86,056	\$1,469,219	\$2,892,124
General Fund	1,169,555	219,382	33,968	1,422,905	213,608	86,056	1,469,219	2,892,124
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$1,169,555	\$219,382	\$33,968	\$1,422,905	\$213,608	\$86,056	\$1,469,219	\$2,892,124

Program Description

The Office of Budget and Program Planning (OBPP) assists the Governor in preparing the Governor's executive budget and administering the state government budget. In addition, OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as approving authority for operational plan changes, program transfers, and budget amendments in the executive branch, in accordance with Title 17, Chapter 7, MCA. OBPP acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Program Highlights

Office of Budget and Program Planning Major Budget Highlights	
♦	The legislature approved a budget increase of \$553,000 to support: <ul style="list-style-type: none"> • A \$12,500 increase in FY 2007 for costs of preparing for the 2007 legislative session • \$420,000 in statewide present law adjustments • \$120,000 to implement the HB 447 pay plan

Funding

The Office of Budget and Program Planning is funded entirely with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					252,884					250,429
Vacancy Savings					(51,480)					(51,384)
Inflation/Deflation					(49)					(47)
Fixed Costs					18,027					2,110
Total Statewide Present Law Adjustments					\$219,382					\$201,108
DP 104 - OBPP Session Costs	0.00	0	0	0	0	0.00	12,500	0	0	12,500
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$12,500	\$0	\$0	\$12,500
Grand Total All Present Law Adjustments					\$219,382					\$213,608

DP 104 - OBPP Session Costs - The legislature approved \$12,500 in FY 2007 for costs associated with the cyclical printing of the executive budget that do not appear in the base.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
04	0.00	33,968	0	0	33,968	0.00	86,056	0	0	86,056
Total	0.00	\$33,968	\$0	\$0	\$33,968	0.00	\$86,056	\$0	\$0	\$86,056

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	49,902	81,870	2,962	134,734	81,557	7,536	138,995	273,729
Operating Expenses	30,998	(6,095)	0	24,903	(6,063)	0	24,935	49,838
Total Costs	\$80,900	\$75,775	\$2,962	\$159,637	\$75,494	\$7,536	\$163,930	\$323,567
General Fund	69,313	87,362	2,962	159,637	87,081	7,536	163,930	323,567
State/Other Special	11,587	(11,587)	0	0	(11,587)	0	0	0
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$80,900	\$75,775	\$2,962	\$159,637	\$75,494	\$7,536	\$163,930	\$323,567

Program Description

The Coordinator of Indian Affairs Program serves as the Governor's liaison with state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the legislative and executive branches. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesperson for representative Native American organizations and groups, both public and private, whenever that support is requested. The program is mandated by 2-15-217 and 90-11-101, MCA.

Program Highlights

Coordinator of Indian Affairs Major Budget Highlights	
♦	The legislature approved a 2007 biennium general fund budget that is a \$162,000 increase over the 2005 biennium budget to support: <ul style="list-style-type: none"> • \$114,000 in statewide present law adjustments that is partially offset by a \$23,000 reduction in operating expenses • \$10,500 to implement the pay plan provided in HB 447 • \$10,000 over the biennium for travel expenses • \$50,000 over the biennium to increase the salary of the coordinator of Indian affairs
♦	The legislature also passed and approved HB 18, which extends the duration of the State-Tribal Economic Development Commission through June 30, 2009, appropriates \$120,000 of state special revenue, and provides spending authority of \$2 million in federal special revenue should the commission receive federal grant funds

Funding

The following table summarizes funding for the program, by source, for the base year and the 2007 biennium as appropriated by the legislature.

		Program Funding Table Coordinator Of Indian Affairs					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 69,313	85.7%	\$ 159,637	100.0%	\$ 163,930	100.0%
	01100 General Fund	69,313	85.7%	159,637	100.0%	163,930	100.0%
02000	Total State Special Funds	11,587	14.3%	-	-	-	-
	02939 State-Tribal Economic Devel	11,587	14.3%	-	-	-	-
Grand Total		\$ 80,900	100.0%	\$ 159,637	100.0%	\$ 163,930	100.0%

The program budget is funded with general fund and state special revenue from funding of the State-Tribal Economic Development Commission. The \$11,587 state special revenue adjustment removes unused authority from the 2005 biennium.

The 2005 Legislature passed and approved HB 18, which extends the duration of the State-tribal Economic Development Commission through June 30, 2009, and biennially appropriates \$120,000 of state special revenue to accommodate anticipated carryover from previous biennia, as well as spending authority of \$2 million in federal special revenue should the commission receive federal grant funds.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				61,319					60,993
Vacancy Savings				(4,449)					(4,436)
Inflation/Deflation				(32)					(31)
Fixed Costs				524					555
Total Statewide Present Law Adjustments				\$57,362					\$57,081
DP 1 - Eliminate Indian Econ Devel Expenditures from Base									
0.00	0	(11,587)	0	(11,587)	0.00	0	(11,587)	0	(11,587)
DP 2 - Coordinator Travel Expenses									
0.00	5,000	0	0	5,000	0.00	5,000	0	0	5,000
DP 555 - Increase Salary for Coordinator of Indian Affairs									
0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
Total Other Present Law Adjustments									
0.00	\$30,000	(\$11,587)	\$0	\$18,413	0.00	\$30,000	(\$11,587)	\$0	\$18,413
Grand Total All Present Law Adjustments				\$75,775					\$75,494

DP 1 - Eliminate Indian Economic Development Expenditures from Base - The legislature approved a budget reduction of \$11,587 of state special revenue for the State-Tribal Economic Development Commission for each fiscal year.

DP 2 - Coordinator Travel Expenses - The legislature approved \$10,000 general fund over the biennium to restore the travel budget to allow the new coordinator of Indian affairs to meet with tribal members throughout the state.

DP 555 - Increase Salary for Coordinator of Indian Affairs - The legislature added \$50,000 for the 2007 biennium to increase the present salary for the coordinator of Indian affairs, to make it more comparable to other government officials with similar responsibilities.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan										
05	0.00	2,962	0	0	2,962	0.00	7,536	0	0	7,536
Total	0.00	\$2,962	\$0	\$0	\$2,962	0.00	\$7,536	\$0	\$0	\$7,536

DP 6010 - 2007 Biennium Pay Plan – HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	4.00	(0.06)	0.00	3.94	(0.06)	0.00	3.94	3.94
Personal Services	210,095	27,175	6,712	243,982	26,471	17,025	253,591	497,573
Operating Expenses	33,768	912	0	34,680	1,034	0	34,802	69,482
Total Costs	\$243,863	\$28,087	\$6,712	\$278,662	\$27,505	\$17,025	\$288,393	\$567,055
General Fund	243,863	28,087	6,712	278,662	27,505	17,025	288,393	567,055
Total Funds	\$243,863	\$28,087	\$6,712	\$278,662	\$27,505	\$17,025	\$288,393	\$567,055

Program Description

The Office of the Lieutenant Governor is responsible for carrying out duties prescribed by statute established by Article VI, Section 4 of the Montana Constitution, as well as those delegated by the Governor. Statutory authority is Title 2, Chapter 15, part 3, MCA.

Program Highlights

Lieutenant Governor Program Major Budget Highlights	
♦	The legislature approved a total general fund budget increase of \$79,000 to support: <ul style="list-style-type: none"> • \$24,000 to implement the pay plan provided in HB 447 • \$62,000 in statewide and present law adjustments that is slightly offset by a reduction of \$6,800 to permanently eliminate 0.06 FTE

Funding

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,188					36,455
Vacancy Savings					(6,568)					(6,550)
Inflation/Deflation					(444)					(427)
Fixed Costs					1,356					1,461
Total Statewide Present Law Adjustments					\$31,532					\$30,939
DP 1 - Statewide FTE Reduction										
	(0.06)	(3,445)	0	0	(3,445)	(0.06)	(3,434)	0	0	(3,434)
Total Other Present Law Adjustments										
	(0.06)	(\$3,445)	\$0	\$0	(\$3,445)	(0.06)	(\$3,434)	\$0	\$0	(\$3,434)
Grand Total All Present Law Adjustments					\$28,087					\$27,505

DP 1 - Statewide FTE Reduction - The legislature approved a permanent reduction of 0.06 FTE and \$6,879 general fund from the budget to make permanent a reduction made by the 2003 Legislature.

New Proposals

New Proposals										
Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
12	0.00	6,712	0	0	6,712	0.00	17,025	0	0	17,025
Total	0.00	\$6,712	\$0	\$0	\$6,712	0.00	\$17,025	\$0	\$0	\$17,025

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	78,051	(100)	2,243	80,194	(298)	5,809	83,562	163,756
Operating Expenses	11,610	114	0	11,724	109	0	11,719	23,443
Total Costs	\$89,661	\$14	\$2,243	\$91,918	(\$189)	\$5,809	\$95,281	\$187,199
General Fund	74,539	(4,864)	1,785	71,460	(5,067)	4,607	74,079	145,539
Federal Special	15,122	4,878	458	20,458	4,878	1,202	21,202	41,660
Total Funds	\$89,661	\$14	\$2,243	\$91,918	(\$189)	\$5,809	\$95,281	\$187,199

Program Description

The Citizens' Advocate Office exists to provide access to state government for Montana citizens. The office provides information to citizens and functions as a referral service for public comments, suggestions, and requests for information. The office provides a toll-free number to the public.

Program Highlights

Citizens Advocate Office Major Budget Highlights	
♦	The legislature approved a total budget that is an \$8,000 increase over the 2005 biennium budget to implement the pay plan provided in HB 447 and provide for statewide and present law adjustments
♦	The legislature increased federal funds to accommodate anticipated revenue from services provided to the Department of Public Health and Human Services regarding food stamp or Medicaid issues

Funding

The following table summarizes funding for the program, by source, for the base year and the 2007 biennium as appropriated by the legislature.

Program Funding Table Citizens' Advocate Office							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 74,539	83.1%	\$ 71,460	77.7%	\$ 74,079	77.7%
	01100 General Fund	74,539	83.1%	71,460	77.7%	74,079	77.7%
03000	Total Federal Special Funds	15,122	16.9%	20,458	22.3%	21,202	22.3%
	03001 Governors Office Federal Grnts	15,122	16.9%	20,458	22.3%	21,202	22.3%
Grand Total		\$ 89,661	100.0%	\$ 91,918	100.0%	\$ 95,281	100.0%

The office is funded with general fund and federal special revenue from reimbursements for services provided by the advocate's office to the Department of Public Health and Human Services (DPHHS). Services include answering toll free phone calls for DPHHS regarding food stamps and Medicaid issues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					3,148					2,942
Vacancy Savings					(3,248)					(3,240)
Fixed Costs					114					109
Total Statewide Present Law Adjustments					\$14					(\$189)
Grand Total All Present Law Adjustments					\$14					(\$189)

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan										
16	0.00	1,785	0	458	2,243	0.00	4,607	0	1,202	5,809
Total	0.00	\$1,785	\$0	\$458	\$2,243	0.00	\$4,607	\$0	\$1,202	\$5,809

DP 6010 - 2007 Biennium Pay Plan – HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	(1.50)	1.50	5.00	(1.50)	1.50	5.00	5.00
Personal Services	238,752	(77,516)	107,193	268,429	(77,651)	118,630	279,731	548,160
Operating Expenses	61,492	(6,960)	31,262	85,794	(7,110)	26,398	80,780	166,574
Total Costs	\$300,244	(\$84,476)	\$138,455	\$354,223	(\$84,761)	\$145,028	\$360,511	\$714,734
General Fund	204,989	10,779	138,455	354,223	10,494	145,028	360,511	714,734
Federal Special	95,255	(95,255)	0	0	(95,255)	0	0	0
Total Funds	\$300,244	(\$84,476)	\$138,455	\$354,223	(\$84,761)	\$145,028	\$360,511	\$714,734

Program Description

The Mental Disabilities Board of Visitors is charged with reviewing patient care at Montana's community mental health centers and at the institutions for the mentally ill and the developmentally disabled. The board provides legal services for the residents at those institutions. The Governor appoints five board members who may be (but are not required to be) consumers, doctors of medicine, or behavioral scientists. The board employs administrative and legal staff and contracts with medical professionals to carry out its responsibilities for patient representation and facility review. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

Program Highlights

Mental Disabilities Board of Visitors	
Major Budget Highlights	
♦	Total funding increases over the 2004 base year include: <ul style="list-style-type: none"> • \$27,000 to implement the HB 447 pay plan • \$20,000 for increased travel for the Board of Visitors • \$257,000 for the mental health ombudsman position over the biennium comprising: <ul style="list-style-type: none"> ○ \$190,000 to replace discontinued federal funding ○ \$67,000 to expand the duties and responsibilities of the office²
♦	The legislature approved a reduction in federal funding of \$188,000 that was discontinued by the Center for Medicare and Medicaid Services

Funding

The office is funded with general fund.

² The Governor vetoed SB 385, which provides funding to expand the duties of the ombudsman. As of this writing, the override poll is in progress and it has not been determined if the veto will stand.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					7,780					7,418
Vacancy Savings					(9,862)					(9,847)
Inflation/Deflation					(43)					(42)
Fixed Costs					1,658					1,676
Total Statewide Present Law Adjustments					(\$467)					(\$795)
DP 1 - Board of Visitors Operating Expenses										
0.00	10,000		0	0	10,000	0.00	10,000	0	0	10,000
DP 2 - Eliminate Federal Funds from Mental Health Ombudsman										
(1.50)	0		0	(94,009)	(94,009)	(1.50)	0	0	(93,966)	(93,966)
Total Other Present Law Adjustments										
(1.50)	\$10,000		\$0	(\$94,009)	(\$84,009)	(1.50)	\$10,000	\$0	(\$93,966)	(\$83,966)
Grand Total All Present Law Adjustments					(\$84,476)					(\$84,761)

DP 1 - Board of Visitors Operating Expenses - The legislature approved \$20,000 general fund for the 2007 biennium to restore the program's travel and operating budget, which was removed in budget balancing efforts last session, and allow the Board of Visitors to meet the statutory obligation to visit Montana's public mental health facilities.

DP 2 - Eliminate Federal Funds from Mental Health Ombudsman - The legislature approved the removal of \$94,000 in federal funding each year of the biennium because the federal Centers for Medicare and Medicaid Services determined that the Montana mental health ombudsman and the Mental Health Board of Visitors were not eligible to be funded with federal Medicaid dollars.

New Proposals

New Proposals										
-----Fiscal 2006-----					-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 444 - Replace Federal Funds for Mental Health Ombudsman										
20	1.50	95,000	0	0	95,000	1.50	95,000	0	0	95,000
DP 447 - Expand duties of the Mental Health Ombudsman (Requires Legislation)										
20	0.00	36,008	0	0	36,008	0.00	30,860	0	0	30,860
DP 6010 - 2007 Biennium Pay Plan - HB 447										
20	0.00	7,447	0	0	7,447	0.00	19,168	0	0	19,168
Total	1.50	\$138,455	\$0	\$0	\$138,455	1.50	\$145,028	\$0	\$0	\$145,028

DP 444 - Replace Federal Funds for Mental Health Ombudsman - The legislature approved this decision package as a means to replace the loss of federal funding for the mental health ombudsman. It appropriates \$95,000 general fund each year of the biennium and 1.50 FTE for the mental health ombudsman and an assistant.

DP 447 - Expand duties of the Mental Health Ombudsman - The legislature approved \$66,868 in general fund over the biennium to expand the duties of the mental health ombudsman to include families in the child protective services system.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in

FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"If Senate Bill No. 385 is not passed and approved, Mental Disabilities Board of Visitors is reduced by \$36,008 in fiscal year 2006 and by \$30,860 in fiscal year 2007 in general fund money."

SB 385 was passed and approved, but the Governor vetoed the bill. As of this writing, the override poll is in progress and it has not been determined if the veto will stand.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	47,520	0	47,520	47,520	0	47,520	95,040
Operating Expenses	0	5,040,085	0	5,040,085	5,116,034	0	5,116,034	10,156,119
Equipment	0	381,924	0	381,924	393,382	0	393,382	775,306
Total Costs	\$0	\$5,469,529	\$0	\$5,469,529	\$5,556,936	\$0	\$5,556,936	\$11,026,465
Federal Special	0	5,469,529	0	5,469,529	5,556,936	0	5,556,936	11,026,465
Total Funds	\$0	\$5,469,529	\$0	\$5,469,529	\$5,556,936	\$0	\$5,556,936	\$11,026,465

Agency Description

The Office of the Secretary of State:

- Interprets state election laws and oversees elections
- Maintains the official records of the executive branch and the acts of the legislature
- Reviews, maintains, and distributes public-interest records of businesses and nonprofit organizations
- Files administrative rules adopted by state departments, boards, and agencies
- Attests to the Governor's signature on executive orders, proclamations, resolutions, extradition papers, and appointments
- Preserves the state seal
- Files and maintains records of secured financial transactions, such as liens
- Serves on the state Board of Land Commissioners and the Board of Examiners
- Commissions notaries public

The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. Except for federal funding to support activities under the Help America Vote Act of 2002, the agency operates entirely with proprietary funds derived from fees for service.

Agency Highlights

Secretary of State Major Budget Highlights	
◆	Funding for the Help America Vote Act of 2002 adds \$11.0 million federal funds
◆	All other expenses are funded with propriety funds, which are not budgeted.

Summary of Legislative Action

The legislature approved funding at the level requested by the executive. For the 2007 biennium, the HB 2 budget of \$11 million federal special revenue budget is all an increase over the base of zero. All HB 2 funding relates to the Help America Vote Act of 2002 that was phased in during the 2005 biennium and funded with a language appropriation by the 2003 Legislature. The Help America Vote Act of 2002 intends to improve voting services across the nation and provides funds to states to do so.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg - Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg - Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Personal Services	0	47,520	47,520	0	47,520	47,520	0	0
Operating Expenses	0	5,040,085	5,040,085	0	5,116,034	5,116,034	0	0
Equipment	0	381,924	381,924	0	393,382	393,382	0	0
Total Costs	\$0	\$5,469,529	\$5,469,529	\$0	\$5,556,936	\$5,556,936	\$0	\$0
Federal Special	0	5,469,529	5,469,529	0	5,556,936	5,556,936	0	0
Total Funds	\$0	\$5,469,529	\$5,469,529	\$0	\$5,556,936	\$5,556,936	\$0	\$0

The legislative budget reflects no changes from the executive budget for the Office of the Secretary of State.

Funding

The operations of the Secretary of State are funded primarily with proprietary funds derived from fees for services, document sales, and other fees established in statute. For the 2007 biennium, the federal Help America Vote Act of 2002 provides \$11 million federal special revenue for election reform initiatives. As such, the HB 2 tables show only the funding for the Help America Vote Act of 2002. The proprietary funded portion of the program is discussed in the Proprietary Rates section.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1 - Help America Vote Act										
0.00	0	0	5,469,529	5,469,529	0.00	0	0	5,556,936	5,556,936	
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$5,469,529	\$5,469,529	0.00	\$0	\$0	\$5,556,936	\$5,556,936	
Grand Total All Present Law Adjustments				\$5,469,529					\$5,556,936	

DP 1 - Help America Vote Act - The legislature approved an increase of \$11.0 million federal special revenue for the biennium to implement requirements of the Help America Vote Act of 2002 (HAVA). The funding will be used to develop a computerized statewide voter registration list that contains the name and registration information of every legally registered voter in the state and assigns a unique identifier to each. The funding will be spent on: 1) technology development costs for the system; 2) advertising costs for a public relations effort on the changes to voting of HAVA; 3) education costs for local government voting administration personnel; and 4) personal services for a 1.00 FTE modified position to coordinate delivery of the HAVA requirements.

Proprietary Rates

Proprietary Program Description

The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The Records Management Bureau is responsible for storing, accessing, microfilming, scanning, preserving, and disposing of public documents generated by state and local governments. The office administers corporate filings, registers assumed names and trademarks, processes notary public registrations, and administers the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). The office reviews, approves, maintains, and distributes records of business and nonprofit organizations, and registers and maintains records of secured financial transactions under the Uniform Commercial Codes, including agricultural products, in accordance with the Federal Food Security Act of 1985. The Secretary of State serves as Montana's chief election official and is responsible for the interpretation of application of election laws, except those pertaining to campaign finance. The office also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of election results, and trains local election officials.

Proprietary Revenues and Expenses

The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to: 1) state agencies for managing agency records; 2) businesses and corporations for corporate filings, and registration of assumed business names and trademarks; 3) state agencies and users of the Administrative Rules of Montana (ARM) for publishing and distributing the ARM and the Montana Administrative Register (MAR); 4) candidates who file for elections; and 5) Montana citizens who apply to be notaries.

The office has attempted to balance revenues and expenditures by streamlining operations and reducing fees. Revenue fluctuations are due to a combination of internal fee adjustments, which the office can control, and business registrations or candidate filings, which the office cannot control. The annual reports workload increased by 32 percent from 2001 and 2003. During this same period there were 40,000 new business registrations. Consequently, there is some fluctuation in the revenue collected from business registration fees. The same is true for candidate filings, which change from election to election depending on the number of candidates filing for office.

Proprietary Rate Explanation

Rates are based upon an estimate of the cost to provide each individual service and a comparison of fees charged for similar services in other states. Fees are set in state statute or established through the Montana Administrative Procedure Act. Because the proprietary funded portion of the program is funded with an enterprise type proprietary fund, the legislature does not approve fees in HB 2.

The various fees and charges of the office are contained in Montana law or administrative rule.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	184,827	36,800	6,812	228,439	37,211	17,556	239,594	468,033
Operating Expenses	124,490	16,819	0	141,309	4,075	0	128,565	269,874
Total Costs	\$309,317	\$53,619	\$6,812	\$369,748	\$41,286	\$17,556	\$368,159	\$737,907
General Fund	309,317	53,619	6,812	369,748	41,286	17,556	368,159	737,907
Total Funds	\$309,317	\$53,619	\$6,812	\$369,748	\$41,286	\$17,556	\$368,159	\$737,907

Agency Description

The Commissioner of Political Practices has responsibilities that were defined by a legislative initiative in 1980 requiring disclosure of acts by lobbyists and business interests of elected officials. The commissioner also has responsibility for the ethical standards of conduct for legislators, public officers, and state employees pursuant to Title 2, Chapter 2, MCA.

Agency Highlights

Commissioner of Political Practices Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Total funding increases over the FY 2004 base year budget are primarily due to: <ul style="list-style-type: none"> • \$88,500 in statewide present law adjustments • \$6,365 for one-time-only computer replacement costs • \$24,400 for pay plan increases provided by HB 447 ◆ The agency intends to have a new database and online campaign finance / report filing system ready for 2006 elections 	

Summary of Legislative Action

The legislature approved a budget increase of 19.2 percent over the FY 2004 base that includes \$95,000 in present law adjustments, and \$24,699 to implement the statewide pay plan as provided in HB 447.

The largest increase is the statewide present law adjustment of \$88,500 over the biennium. The legislature also approved a one-time-only increase of \$6,365 to upgrade the agency's five computer stations and \$24,368 to implement the pay plan adopted in HB 447.

The agency's staff in cooperation with the Secretary of State's Office and contracted technical personnel developed, and are close to completing, a database and web-based filing system. This system is designed to make filing, reporting and public access to that information more convenient. Candidate filing fees paid to the Secretary of State covered the development and initial maintenance of the system. The initial cost was \$42,000. The future, on-going annual hosting cost is presently estimated at \$5,000 per year.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg - Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg - Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	5.00	4.00	5.00	1.00	4.00	5.00	1.00	
Personal Services	184,827	188,664	228,439	39,775	189,160	239,594	50,434	90,209
Operating Expenses	124,490	141,309	141,309	0	128,565	128,565	0	0
Total Costs	\$309,317	\$329,973	\$369,748	\$39,775	\$317,725	\$368,159	\$50,434	\$90,209
General Fund	309,317	329,973	369,748	39,775	317,725	368,159	50,434	90,209
Total Funds	\$309,317	\$329,973	\$369,748	\$39,775	\$317,725	\$368,159	\$50,434	\$90,209

The legislature increased the executive budget by 13.9 percent for \$33,000 each year to reinstate funding equivalent to 1.0 FTE, and \$24,700 for pay plan increases provided in HB 447.

Funding

This program is funded with general fund. A small amount of revenue is generated from nominal fees charged for printing and distribution, as well as occasional civil fines for violation of campaign laws.

The commissioner also collects a \$150 lobbyist filing fees, \$50 of which is deposited to the general fund and \$100 to a state special revenue account that is appropriated to the Legislative Services Division to fund the state broadcasting system.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				36,800					37,211
Fixed Costs				10,454					4,075
Total Statewide Present Law Adjustments				\$47,254					\$41,286
DP 1 - Computer Replacement / Upgrades OTO	0.00	6,365	0	6,365	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$6,365	\$0	\$6,365	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments				\$53,619					\$41,286

DP 1 - Computer Replacement / Upgrades OTO - The legislature added \$6,365 general fund for replacement of the commissioner's five computer stations in FY 2006.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	6,812	0	0	6,812	0.00	17,556	0	0	17,556
Total	0.00	\$6,812	\$0	\$0	\$6,812	0.00	\$17,556	\$0	\$0	\$17,556

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	71.50	0.00	5.00	76.50	0.00	5.00	76.50	76.50
Personal Services	3,096,095	242,016	314,796	3,652,907	240,982	489,131	3,826,208	7,479,115
Operating Expenses	733,518	334,376	2,777,539	3,845,433	371,591	9,774,676	10,879,785	14,725,218
Grants	573,215	0	0	573,215	0	0	573,215	1,146,430
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,402,828	\$576,392	\$3,092,335	\$8,071,555	\$612,573	\$10,263,807	\$15,279,208	\$23,350,763
General Fund	0	0	0	0	0	0	0	0
State/Other Special	4,402,828	576,392	3,092,335	8,071,555	612,573	10,263,807	15,279,208	23,350,763
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$4,402,828	\$576,392	\$3,092,335	\$8,071,555	\$612,573	\$10,263,807	\$15,279,208	\$23,350,763

Agency Description

The Office of the State Auditor is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Insurance and Securities and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities dealers in the state. The auditor also adopts rules and administers reform for the insurance and securities industries operating in the state. The auditor also serves as a member of the Board of Land Commissioners and the Crop Hail Insurance Board.

The statutory duties of the State Auditor are administered from three divisions: Central Management, Insurance, and Securities. The State Auditor is also a conduit for two "pass through" programs: the Forest Reserve Shared Revenue, and the Fire and Police Retirement Program.

Agency Highlights

State Auditor's Office Major Budget Highlights	
Total funding increases of \$14.5 million over the 2004 base year include:	
◆ New proposals of \$13.3 million for:	
• A \$12.8 million appropriation in I-149 funds and 3 new FTE to establish a Small Business Health Insurance Pool for eligible small employers (HB 667)	
• \$400,000 to implement the pay plan in HB 447	
• \$200,000 for 2 new FTE in the Insurance Program	
◆ Statewide and present law adjustments of \$1.2 million for:	
• \$500,000 in personal services	
• \$24,000 for a contractual 2 percent increase in rent and additional storage space	
• \$676,000 for costs associated with contract examinations of insurance and investment companies, security contract examinations, and the captive insurance program	

Summary of Legislative Action

The legislature approved a budget increase of \$14 million state special revenue over the FY 2004 base that includes: 1) \$12.8 million to create a Small Business Health Insurance Pool to provide premium assistance for eligible small employers funded by the cigarette and other tobacco products taxes established in Initiative 149 (HB 667); 2) \$392,000 to implement the pay plan adopted in HB 447; 3) \$217,500 to provide for 2.0 FTE in the Insurance Division; and 4) \$1.2 million in statewide and present law adjustments.

Nearly half of the statewide and present law adjustment amount can be attributed to fully funding the personal services projection for the 2007 biennium.

The legislature also increased state special revenue over the biennium by \$700,000 including rent increases of \$24,000, and costs of conducting insurance and security examinations of \$676,000.

These items are discussed in greater detail in the following program sections.

Legislation related to the State Auditor's Office is discussed in the following funding section.

Funding

The following table shows funding, for the agency, by program and source, as appropriated by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget			
Agency Program	State Spec.	Grand Total	Total %
01 Central Management	\$ 1,218,864	\$ 1,218,864	5.22%
03 Insurance	20,561,067	20,561,067	88.05%
04 Securities	1,570,832	1,570,832	6.73%
Grand Total	<u>\$ 23,350,763</u>	<u>\$ 23,350,763</u>	<u>100.00%</u>

The State Auditor's Office receives no general fund. It is funded from state special revenue generated by insurance fees and taxes levied on the insurance industry for the sale of insurance policies in Montana, and security fees charged to the securities industry for the registration of securities and agents or for the notice of a federal filing of a federally secured security. Resident and non-resident companies or individuals conducting insurance or security business in Montana are subject to fees.

In addition to the Small Business Health Insurance Pool and related programs established by HB 667, the legislature continued the \$1.3 million restricted, state special revenue appropriation for the Montana Comprehensive Health Association insurance premium assistance program that is also funded by tobacco settlement proceeds. The program is administered by the Insurance Division under 33-22-1513, MCA, and is for low-income Montanans deemed uninsurable due to medical conditions. There is \$573,215 in each year of the 2007 biennium for use in this program, the same amount appropriated in the last session.

Other Legislation

House Bill 667 – This bill offers tax credits to small businesses that are currently providing health insurance to their employees, and premium incentive and assistance payments to small businesses currently without coverage. The source of funding is the Health and Medicaid Initiatives state special revenue account for the cigarette and other tobacco products taxes established by Initiative 149.

The legislation allocates \$7.6 million over the biennium for implementation and administration of premium assistance and incentive payments within the small business purchasing pool for eligible small employers, and \$6.2 million for implementation and administration of a tax relief / tax credit program to help cover costs of group health insurance. Of the

\$6.2 million, nearly \$1 million is appropriated to the Department of Health and Human Services and \$5.2 million is for the State Auditor's Office. Funding includes \$586,000 over the biennium for personal services (3.0 FTE) and operating costs necessary to implement, promote, and carry out the program.

Senate Bill 486 – This bill revises and clarifies license and contract requirements for viatical settlement brokers and establishes a license application fee. Current licensed insurance brokers will pay a one time \$50 registration fee that will allow them to market viaticals. The State Auditor's Office estimates a financial impact of a one time \$10,000 to state special revenue based upon 200 insurance brokers paying the one time fee. Fees are to be deposited in the state special revenue account of the State Auditor's Office, and fines to the general fund.

Senate Bill 275 – This bill temporarily increases fees collected for the Genetics Program by the State Auditor's Office from \$0.70 to \$1.00. The State Auditor's Office is now to deposit these fees to a state special revenue account rather than the general fund as in prior years. The Department of Public Health and Human Services is appropriated and expends the funds for the Genetics Program. The increase is estimated to be about \$250,000 per year, which brings the spending authority to a total of nearly \$833,000 per year.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	71.50	73.50	76.50	3.00	73.50	76.50	3.00	
Personal Services	3,096,095	3,433,961	3,652,907	218,946	3,432,655	3,826,208	393,553	612,499
Operating Expenses	733,518	1,084,364	3,845,433	2,761,069	1,114,759	10,879,785	9,765,026	12,526,095
Grants	573,215	573,215	573,215	0	573,215	573,215	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,402,828	\$5,091,540	\$8,071,555	\$2,980,015	\$5,120,629	\$15,279,208	\$10,158,579	\$13,138,594
General Fund	0	0	0	0	0	0	0	0
State/Other Special	4,402,828	5,091,540	8,071,555	2,980,015	5,120,629	15,279,208	10,158,579	13,138,594
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$4,402,828	\$5,091,540	\$8,071,555	\$2,980,015	\$5,120,629	\$15,279,208	\$10,158,579	\$13,138,594

The increase to the Executive Budget is due to the statewide pay plan and HB 667, which transfers \$ 12.8 million of I-149 tax increase from the Department of Health and Human Services to the State Auditor's Office for implementation and administration of two health insurance programs for small businesses: 1) Premium Assistance for Small Employers; and 2) Provide Tax Relief in the form of Tax Credits.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	435,843	53,264	15,415	504,522	51,945	40,095	527,883	1,032,405
Operating Expenses	89,661	5,925	0	95,586	1,212	0	90,873	186,459
Total Costs	\$525,504	\$59,189	\$15,415	\$600,108	\$53,157	\$40,095	\$618,756	\$1,218,864
State/Other Special	525,504	59,189	15,415	600,108	53,157	40,095	618,756	1,218,864
Total Funds	\$525,504	\$59,189	\$15,415	\$600,108	\$53,157	\$40,095	\$618,756	\$1,218,864

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the auditor in fulfilling the duties as a member of the state land and hail insurance boards.

Program Highlights

Central Management Division Major Budget Highlights	
♦	Total funding increases of \$167,000 over the base year are primarily due to statewide present law adjustments

The legislature approved increases over base year expenditures in statewide adjustments to personal services due to increases associated with raises for the elected official (2-16-405- MCA) and personal staff, as well as standard state raises for the program's non-personal staff.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding Table Central Management						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000 Total State Special Funds	\$ 525,504	100.0%	\$ 600,108	100.0%	\$ 618,756	100.0%
02235 Insurance Fee Account	495,301	94.3%	565,220	94.2%	582,722	94.2%
02283 Securities Fee Account	30,203	5.7%	34,888	5.8%	36,034	5.8%
Grand Total	\$ 525,504	100.0%	\$ 600,108	100.0%	\$ 618,756	100.0%

This program is funded from state special revenue generated by fees and taxes for entities conducting insurance or security business in Montana as identified and defined in 33-2-705 through 708, MCA.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					69,924					68,561
Vacancy Savings					(16,660)					(16,616)
Inflation/Deflation					(734)					(733)
Fixed Costs					5,553					269
Total Statewide Present Law Adjustments					\$58,083					\$51,481
DP 101 - Rent Increase	0.00	0	1,106	0	1,106	0.00	0	1,676	0	1,676
Total Other Present Law Adjustments	0.00	\$0	\$1,106	\$0	\$1,106	0.00	\$0	\$1,676	\$0	\$1,676
Grand Total All Present Law Adjustments					\$59,189					\$53,157

DP 101 - Rent Increase - The legislature approved state special revenue funding of \$2,700 over the biennium to cover a 2 percent per year increase in rented space at the old Shodair Children's Home and Hospital building as per the agency's contract. The approved amount represents Central Management's share of the \$24,350 total rent increase.

New Proposals

New Proposals										
Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	0	15,415	0	15,415	0.00	0	40,095	0	40,095
Total	0.00	\$0	\$15,415	\$0	\$15,415	0.00	\$0	\$40,095	\$0	\$40,095

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	48.50	0.00	5.00	53.50	0.00	5.00	53.50	53.50
Personal Services	2,134,568	133,211	281,474	2,549,253	134,358	402,212	2,671,138	5,220,391
Operating Expenses	538,261	264,850	2,777,539	3,580,650	300,659	9,774,676	10,613,596	14,194,246
Grants	573,215	0	0	573,215	0	0	573,215	1,146,430
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$3,246,044	\$398,061	\$3,059,013	\$6,703,118	\$435,017	\$10,176,888	\$13,857,949	\$20,561,067
State/Other Special	3,246,044	398,061	3,059,013	6,703,118	435,017	10,176,888	13,857,949	20,561,067
Total Funds	\$3,246,044	\$398,061	\$3,059,013	\$6,703,118	\$435,017	\$10,176,888	\$13,857,949	\$20,561,067

Program Description

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Investigations Bureau investigates insurance code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

During the 2007 biennium, the Insurance Division will implement and administer the Small Business Health Insurance Pool established by the 2005 Legislature through HB 667 to offer tax credits to eligible small business currently providing health insurance to employees and assistance payments to eligible small businesses currently without coverage.

Program Highlights

Insurance Division Major Budget Highlights	
♦	Funding increases are primarily due to new proposals for: <ul style="list-style-type: none"> • A \$12.8 million appropriation of I-149 funds and 3 new FTE to establish a Small Business Health Insurance Pool for eligible small employers (HB 667) • \$272,000 to implement the pay plan in HB 447 • \$200,000 for supervisory positions (2.0 FTE) in the rates and forms division and the policyholder services division
♦	Additional increases comprise: <ul style="list-style-type: none"> • \$267,000 in statewide present law adjustments • \$16,000 for an increase in rent and additional storage • \$550,000 for costs associated with contract insurance examinations, the captive insurance program, and contract securities examinations
♦	The legislature maintained a \$1.3 million appropriation to continue the insurance premium assistance program for qualifying low-income Montanans

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

		Program Funding Table					
		Insurance					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 3,246,044	100.0%	\$ 6,703,118	100.0%	\$ 13,857,949	100.0%
	02235 Insurance Fee Account	2,672,829	82.3%	3,258,528	48.6%	3,409,403	24.6%
	02769 Health Insurance Premium Assistance	-	-	1,671,375	24.9%	5,899,001	42.6%
	02770 Health Insurance Tax Credits	-	-	1,200,000	17.9%	3,976,330	28.7%
	02789 6901-Chip/Mcha Tobacco Sett Fd	573,215	17.7%	573,215	8.6%	573,215	4.1%
Grand Total		\$ 3,246,044	100.0%	\$ 6,703,118	100.0%	\$ 13,857,949	100.0%

This program is funded through state special revenue generated from a percentage charged against every insurance policy sold in the state, as well as from charges for insurance company examinations and fees paid by individual agents.

Additional funding comes from the state special revenue account for the cigarette and other tobacco products taxes established by Initiative 149, and appropriated through HB 667 for the Small Business Insurance Pool.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				227,705					228,898
Vacancy Savings				(94,494)					(94,540)
Inflation/Deflation				(4,311)					(4,287)
Fixed Costs				15,609					(7,230)
Total Statewide Present Law Adjustments				\$144,509					\$122,841
DP 301 - Office Rent & Secured Storage Increase									
0.00	0	6,532	0	6,532	0.00	0	9,432	0	9,432
DP 305 - Contract Insurance Examinations									
0.00	0	227,820	0	227,820	0.00	0	283,544	0	283,544
DP 306 - Captive Insurance									
0.00	0	19,200	0	19,200	0.00	0	19,200	0	19,200
Total Other Present Law Adjustments									
0.00	\$0	\$253,552	\$0	\$253,552	0.00	\$0	\$312,176	\$0	\$312,176
Grand Total All Present Law Adjustments				\$398,061					\$435,017

DP 301 - Office Rent and Secured Storage Increase - The legislature approved an increase of \$15,964 state special revenue for the 2007 biennium to fund the scheduled 2 percent rent increase and additional secured storage space for the office's investigation units. The amount represents the program's share of the agency-wide increase of \$24,350.

DP 305 - Contract Insurance Examinations - The legislature increased state special revenue by \$511,364 over the biennium to allow the agency to conduct insurance contract exams. The amount is designated as a restricted appropriation. Insurance companies reimburse the agency for the cost of examinations.

DP 306 - Captive Insurance - The legislature authorized state special revenue funding of \$38,400 for the 2007 biennium for anticipated growth over the base budget in costs associated with the review of new captive insurance applications. The agency carries \$12,800 in its base budget.

An independent contract actuary reviews each application for financial viability at a cost of \$3,200, which is reimbursed by the applicant. The amount is designated as a restricted appropriation.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303 - Rates and Forms FTE										
03	1.00	0	59,575	0	59,575	1.00	0	56,016	0	56,016
DP 304 - Policyholder Services FTE										
03	1.00	0	52,745	0	52,745	1.00	0	49,212	0	49,212
DP 400 - Premium Assistance for Sm. Employers (Restricted)										
03	2.00	0	1,671,375	0	1,671,375	2.00	0	5,899,001	0	5,899,001
DP 401 - Tax Relief in the form of Tax Credits - HB 667										
03	1.00	0	1,200,000	0	1,200,000	1.00	0	3,976,330	0	3,976,330
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	0	75,318	0	75,318	0.00	0	196,329	0	196,329
Total	5.00	\$0	\$3,059,013	\$0	\$3,059,013	5.00	\$0	\$10,176,888	\$0	\$10,176,888

DP 303 - Rates and Forms FTE - The legislature increased state special revenue by \$115,591 over the biennium for 1.00 FTE as a supervisor/bureau chief position to work with existing staff and to help process and expedite the review of insurance policy forms for continued improvement in Montana's speed to market for insurance policy forms.

DP 304 - Policyholder Services FTE - The legislature approved state special revenue funding of \$101,957 over the biennium for 1.00 FTE to supervise and help complete market conduct examinations, as well as to assist with the increased workload due to growth of the insurance industry, Medicare prescription legislation, the federal Health Insurance Portability and Accountability Act (HIPAA), the continuation of changes to state insurance statutes, and the federal Employee Retirement Income Security Act (ERISA).

DP 400 - Premium Assistance for Small Employers (Restricted) - HB 667 - The legislature allocated \$7.6 million in state special revenue over the biennium for implementation and administration of a premium assistance program for eligible small employers. The funding includes \$249,238 in FY 2006 and \$186,855 in FY 2007 for personal services and operating costs necessary to implement and carry out the program.

DP 401 - Tax Relief in the form of Tax Credits - HB 667 - The legislature allocated \$6.276 million in state special revenue over the biennium for implementation and administration of a tax relief / tax credit program, through which small businesses that are currently providing health insurance to their employees receive tax credits to help cover costs of group health insurance. Funding includes \$100,000 in FY 2006 and \$50,000 in FY 2007 for personal services.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Funding in Premium Assistance for Small Employers and Provide Tax Relief in the Form of Tax Credits is contingent upon passage and approval of House Bill No. 667 and may be used only to implement House Bill No. 667. If the Department of Public Health and Human Services is successful in obtaining a Medicaid 1115 waiver for a premium incentive or premium assistance program, the State Auditor's Office shall transfer \$994,000 in State Special revenue in fiscal year 2007 to the Department of Public Health and Human Services to be used to match federal Medicaid funds. Funding for Premium Assistance for Small Employers and Provide Tax Relief in the Form of Tax Credits includes the support of 3 new FTE."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	525,684	55,541	17,907	599,132	54,679	46,824	627,187	1,226,319
Operating Expenses	105,596	63,601	0	169,197	69,720	0	175,316	344,513
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$631,280	\$119,142	\$17,907	\$768,329	\$124,399	\$46,824	\$802,503	\$1,570,832
General Fund	0	0	0	0	0	0	0	0
State/Other Special	631,280	119,142	17,907	768,329	124,399	46,824	802,503	1,570,832
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$631,280	\$119,142	\$17,907	\$768,329	\$124,399	\$46,824	\$802,503	\$1,570,832

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The division also is responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$25 million. The Investigations Bureau investigates securities code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

Program Highlights

Securities Division Major Budget Highlights	
♦	Total funding increases of \$308,000 over the base year budget are due to:
•	\$111,000 in statewide present law adjustments
•	\$5,600 for the 2 percent increase in rent
•	\$65,000 for the pay plan in HB 447
•	\$126,600 for increased funding for costs associated with security contract examinations

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

		Program Funding Table					
		Securities					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	631,280	100.0%	768,329	100.0%	802,503	100.0%
	02283 Securities Fee Account	631,280	100.0%	768,329	100.0%	802,503	100.0%
Grand Total		<u>\$ 631,280</u>	<u>100.0%</u>	<u>\$ 768,329</u>	<u>100.0%</u>	<u>\$ 802,503</u>	<u>100.0%</u>

This program is funded with state special revenue from the securities fee account, which draws its revenue from securities portfolio registration fees charged to investment advisors and investment companies, as well as from security licenses and permits. In accordance with 30-1-115, MCA, unspent collections from security licenses and permits are deposited to the general fund. Deposits to the general fund were approximately \$2.1 million in FY 2004.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				79,758					78,860
Vacancy Savings				(24,217)					(24,181)
Inflation/Deflation				(1,246)					(1,236)
Fixed Costs				1,643					1,972
Total Statewide Present Law Adjustments				\$55,938					\$55,415
DP 401 - Office Rent & Secured Storage Increase									
0.00	0	2,412	0	2,412	0.00	0	3,192	0	3,192
DP 403 - Contract Securities Examinations									
0.00	0	60,792	0	60,792	0.00	0	65,792	0	65,792
Total Other Present Law Adjustments									
0.00	\$0	\$63,204	\$0	\$63,204	0.00	\$0	\$68,984	\$0	\$68,984
Grand Total All Present Law Adjustments				\$119,142					\$124,399

DP 401 - Office Rent and Secured Storage Increase - The legislature approved an increase of \$5,604 state special revenue for the 2007 biennium to fund the scheduled 2 percent rent increase and additional secured storage space at the Shodair Children's Home and Hospital building. This increase represents the program's share of the \$24,350 agency-wide amount.

DP 403 - Contract Securities Examinations - The legislature increased state special revenue for securities contract exams by \$126,584 over the biennium, and designated the amount as a restricted appropriation. The cost of the examinations is offset by reimbursements from the security companies. The approved authority is based upon the agency's examination schedule for the 2007 biennium.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
04	0.00	0	17,907	0	17,907	0.00	0	46,824	0	46,824
Total	0.00	\$0	\$17,907	\$0	\$17,907	0.00	\$0	\$46,824	\$0	\$46,824

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2,176.13	(18.35)	16.38	2,174.16	41.93	20.50	2,238.56	2,238.56
Personal Services	103,543,485	8,477,184	4,138,895	116,159,564	10,066,661	9,464,516	123,074,662	239,234,226
Operating Expenses	361,067,272	34,408,662	15,880,767	411,356,701	43,739,445	4,669,821	409,476,538	820,833,239
Equipment	1,456,438	62,000	1,453,254	2,971,692	62,000	67,244	1,585,682	4,557,374
Capital Outlay	15,533,494	516,663	0	16,050,157	516,663	0	16,050,157	32,100,314
Local Assistance	95,225	0	0	95,225	0	0	95,225	190,450
Grants	9,014,582	1,786,343	0	10,800,925	753,343	0	9,767,925	20,568,850
Transfers	18,221	0	0	18,221	0	0	18,221	36,442
Debt Service	750	0	0	750	0	26,000	26,750	27,500
Total Costs	\$490,729,467	\$45,250,852	\$21,472,916	\$557,453,235	\$55,138,112	\$14,227,581	\$560,095,160	\$1,117,548,395
State/Other Special	237,162,066	(372,737)	4,623,308	241,412,637	1,548,372	6,832,627	245,543,065	486,955,702
Federal Special	253,567,401	45,623,589	16,849,608	316,040,598	53,589,740	7,394,954	314,552,095	630,592,693
Total Funds	\$490,729,467	\$45,250,852	\$21,472,916	\$557,453,235	\$55,138,112	\$14,227,581	\$560,095,160	\$1,117,548,395

Agency Description

The Department of Transportation is responsible for serving the public by establishing and maintaining a transportation system that emphasizes safety, environmental preservation, cost-effectiveness, and quality.

Agency Highlights

Department of Transportation Major Budget Highlights	
◆	Total fund budget increases \$136.1 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> Increased funding for federal-aid highway construction related project costs in anticipation of higher federal funding (\$81.3 million) Federal earmark projects (\$15.6 million) Pay plan adjustments (\$11.4 million) Transferring the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice (\$2.7 million) Increased funding for maintenance of rest areas and newly assumed secondary roads (\$1.3 million) Computer system enhancements and reprogramming (\$924,000) New costs to operate a joint port-of-entry with Wyoming (\$690,000) Replacement and upgrades for remote weather site and communications equipment (\$460,000) Purchase of a replacement aircraft (\$388,000) Transportation corridor studies (\$375,000) Transit facility and vehicle grants (\$312,000)
◆	62.43 FTE will be added by the end of the biennium for: <ul style="list-style-type: none"> 6.00 FTE associated with a long-term project to integrate agency management systems 2.00 FTE traffic engineers to address workload issues 39.93 FTE in FY 2007 associated with planned federal-aid construction projects

- 12.50 FTE associated with transferring MCSAP from the Department of Justice
- 2.00 FTE civil engineers to perform bridge inspections
- ◆ Federal highway funding is uncertain - federal funding was estimated based on progress made during the 2004 U.S. Congress
- ◆ Funding for Highway 93 reconstruction is included in HB 5

Summary of Legislative Action

The legislative budget for total funds is an increase of \$136.1 million more for the biennium over the base of \$490.7 million. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$11.4 million of the total fund increase for the biennium. The legislative budget includes the following:

- Funding of a federal-aid construction plan that assumes maximum expenditure of future federal highway funding at levels projected in federal highway funding legislation currently expired but being considered by the U.S. Congress for reauthorization, including federal earmarked projects identified for Montana
- Funding for a project to reconstruct and realign U.S. Highway 93 from Evaro Hill to Polson (funding in HB 5)
- Transferring the Motor Carriers Safety Assistance Program (MCSAP) to the department from the Department of Justice as a result of passage and approval of SB 459
- Computer system enhancements and reprogramming for long-term projects to integrate department automated resource management systems and to address legislative changes
- Appropriations of highways state special revenue account that, if fully expended, would deplete the account by the end of the 2007 biennium

Agency Discussion

Working Capital Projections

After legislative action, the revised analysis of the highways state special revenue account (HSSRA) projects that the working capital balance of the account would be depleted by the end of FY 2007. Imbalances where expenditures exceed revenues would continue to adversely impact the account in subsequent years. These estimates are based on the budget as approved by the legislature, and assume revenue estimates adopted in HJ 2 for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes for FY 2005 and the 2007 biennium. The impacts of the statewide pay plan (HB 447 of the 2005 Legislature) for the transportation and justice departments are included. Expenditure estimates for the 2009 and 2011 biennia are FY 2007 appropriations, inflated by 3 percent as appropriate. The annual growth rate used in the HJ 2 revenue estimates was applied to the FY 2007 revenue estimate to project the 2009 and 2011 biennia revenues.

Figure 1
Working Capital Analysis - Highways State Special Revenue Account
Fiscal Years 2004 - 2011 Legislative Budget
(in Millions)

Description	Fiscal 2004 Actual	Fiscal 2005 Approp.	Fiscal 2006 Estimate	Fiscal 2007 Estimate	Fiscal 2008 Estimate	Fiscal 2009 Estimate	Fiscal 2010 Estimate	Fiscal 2011 Estimate
Beginning Working Capital Balance	\$63.4	\$39.1	\$42.6	\$17.2	-\$11.2	-\$32.0	-\$55.2	-\$80.6
Revenues								
Gasoline tax	127.0	127.6	128.2	128.8	129.3	129.9	130.5	131.1
Diesel tax	60.8	63.3	65.9	68.7	71.5	74.5	77.7	80.9
Gross vehicle weight fees (GVW)	26.3	26.7	27.0	27.4	27.4	27.4	27.4	27.4
Indirect cost recovery (federal aid)	34.0	33.4	34.5	35.1	37.0	43.4	43.4	43.4
General fund transfer	0.0	0.0	3.1	3.1	3.1	3.2	3.2	3.3
Other revenues	7.9	4.5	3.9	3.9	3.9	3.9	3.9	3.9
Revenue deductions								
Alcohol production incentives (15-70-522, MCA)	0.0	0.0	-3.0	-6.0	-6.0	-6.0	-6.0	-6.0
Total Revenues	\$256.0	\$255.4	\$259.6	\$260.9	\$266.3	\$276.3	\$280.1	\$283.9
Expenditures								
Department of Transportation (DOT) [includes HB 447, pay plan]								
General Operations Program	19.7	20.3	19.6	20.0	20.6	21.2	21.9	22.5
Construction Program (federal aid program match)	70.2	63.9	65.1	67.8	69.9	72.0	74.1	76.4
Construction Program (state funded program - maintenance of effort)	10.0	8.1	10.0	10.0	10.0	10.0	10.0	10.0
Construction Program (state funded program - offset indirect cost impacts)	46.9	30.1	44.2	44.7	37.0	43.4	43.4	43.4
Maintenance Program	83.6	79.0	91.9	93.6	96.4	99.3	102.3	105.4
Motor Carriers Services	5.1	5.4	6.0	6.2	6.4	6.6	6.8	7.0
Transportation Planning	1.1	1.9	2.1	2.1	2.1	2.2	2.3	2.3
Total Department of Transportation	236.6	208.6	238.8	244.5	242.5	254.7	260.8	267.0
Statutory Appropriations	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8
Rail Service Competition Council (HB 769, 2005 Legislature)			0.1	0.1				
Department of Justice (DOJ) [includes HB 447, pay plan]	23.2	24.0	26.0	24.6	24.6	24.6	24.6	24.6
Long-Range Building Program								
Maintenance and repair of MDT buildings	3.7	1.7	2.5	2.5	2.5	2.5	2.5	2.5
Department of Fish, Wildlife & Parks	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Long-Range Building Program	4.2	2.4	3.3	3.3	3.3	3.3	3.3	3.3
Transfer for noxious weeds (80-7-823, MCA)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditures	\$280.9	\$252.0	\$285.0	\$289.3	\$287.2	\$299.5	\$305.5	\$311.7
Revenues less expenditures	-24.8	3.5	-25.4	-28.3	-20.9	-23.1	-25.4	-27.8
Adjustments	0.5							
Ending Working Capital Balance	\$39.1	\$42.6	\$17.2	-\$11.2	-\$32.0	-\$55.2	-\$80.6	-\$108.4

Highways State Special Revenue Account Stability

Figure 1 illustrates the analysis of the account and shows projections for revenues, expenditures, and working capital. The analysis is based on the assumption that all appropriations would be expended fully. The figure shows a significant imbalance between revenues and expenditures of more than \$20 million each fiscal year. The projected imbalances would deplete the available working capital of the account. Future legislatures may be faced with making policy decisions on highway funding, which could include among others:

- Expenditure reductions
- Revenue enhancements
- Turning back a portion of the federal funding

Reauthorization of Federal-Aid Highway Funding

The department receives federal-aid highway funding from the Federal Highway Administration (FHWA), typically from authorizations in six-year funding bills. The previous six-year federal funding bill for highways was titled the Transportation Equity Act for the 21st Century (TEA-21) and ended on September 30, 2003. Congress has not passed a new multi-year reauthorization, but has continued to authorize federal aid funding for highways through extensions of TEA-21, with the last of six extensions ending after the 2005 Legislature adjourns. Because no highway funding bill has passed the U.S. Congress, the legislature approved a budget for a federal-aid highway construction program that is based

on estimates resulting from funding formulas contained in the latest versions of federal highway funding legislation of the 108th Congress (2nd Session) for 2004.

When TEA-21 was enacted, the annual allotment of federal funds for Montana grew by more than \$80 million compared to what Montana received under the previous federal highway funding law. If Montana's allotment of federal-aid highway construction funds grows as it did when TEA-21 was enacted, Montana will have to match the greater federal funds with more state funds. The potentially higher state match could impact how HSSRA funds are allocated to state uses and could deepen the instability of the account. The uncertainty of federal-aid highway funding results in a significant portion of the department budget being based on speculation and the best guess of what future program expenditures would be.

The uncertainty of federal funding also raises a concern that the department's budget may not be appropriate for the department to meet previous policy directions to fully expend all available federal-aid highway funds if Montana's allocation of funding increases above the assumptions used to develop the budget. However, inherent delays between federal apportionment increases and expenditures would lessen the impact from receiving significant funding increases after the legislature adjourns. Delays between federal apportionment increases and expenditure increases are due to two factors:

- o Planning and programming for highway projects
- o Timing of payments to highway construction contractors because of the mixture of long-term and short-term duration projects

When federal funding is increased, it generally takes time to realign the highway construction plan documents to incorporate the changes so they meet system needs and public preferences, while adhering to financial districting laws and project funding constraints. Also, highway construction plans include a mixture of short-term and long-term projects with varying cash payout patterns. Long-term projects, such as major reconstruction or interchange installations, are paid out over a number of fiscal years, while pavement or other less complex projects would experience a shorter pay out schedule. With the uncertainty in the level of federal funding and the uncertainty of timing of these impacts, it leaves an unclear and tenuous budget picture.

Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget				
Agency Program	State Spec.	Fed Spec.	Grand Total	Total %
01 General Operations Program	\$ 39,567,600	\$ 1,662,772	\$ 41,230,372	3.69%
02 Construction Program	241,763,465	590,637,370	832,400,835	74.48%
03 Maintenance Program	185,570,437	15,638,195	201,208,632	18.00%
22 Motor Carrier Services Div.	12,185,259	2,450,000	14,635,259	1.31%
40 Aeronautics Program	3,175,614	3,123,629	6,299,243	0.56%
50 Transportation Planning Divisi	4,693,327	17,080,727	21,774,054	1.95%
Grand Total	\$ 486,955,702	\$ 630,592,693	\$1,117,548,395	100.00%

Other Legislation

Senate Bill 255 – SB 255 revised airport zoning laws and affects state-owned airports at Lincoln and West Yellowstone. The fiscal note for SB 255 identified a \$7,500 impact on HB 2 funding, but indicated that the legislative budget is adequate to address the fiscal impacts. SB 255 has become law.

Senate Bill 459 – SB 459 moved the responsibility for the Motor Carrier Safety Assistance Program from the Department of Justice to the department to consolidate the function within one responsible organization. The legislature transferred the funding and FTE within HB 2 to implement the transfer. SB 459 has become law, but isn't effective until October 1, 2005.

House Bill 5 – HB 5 included funding for capital projects that support department facilities statewide (\$5 million) and also included funding (\$133.7 million) for the reconstruction project on U.S. Highway 93 from Evaro Hill to Polson that was originally included in the executive budget in HB 2 (at \$93 million). HB 5 has become law.

House Bill 55 – HB 55 transferred the responsibility for permanent registration of trailers and semi trailer fleets from the department to the Department of Justice. The legislature approved funding in HB 2 to modify computer programs impacted by the transfer. HB 55 has become law.

House Bill 87 – HB 55 transferred the responsibility for the annual registration of fleet vehicles from the department to the Department of Justice. The legislature reduced HB 2 funding for the Motor Carrier Services Division and added funding to the Department of Justice to address the fiscal impacts of HB 55. HB 55 has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	2,176.13	2,230.41	2,174.16	(56.25)	2,205.28	2,238.56	33.28	
Personal Services	103,543,485	114,354,746	116,159,564	1,804,818	113,829,669	123,074,662	9,244,993	11,049,811
Operating Expenses	361,067,272	472,693,636	411,356,701	(61,336,935)	458,500,370	409,476,538	(49,023,832)	(110,360,767)
Equipment	1,456,438	2,067,692	2,971,692	904,000	1,585,682	1,585,682	0	904,000
Capital Outlay	15,533,494	16,050,157	16,050,157	0	16,050,157	16,050,157	0	0
Local Assistance	95,225	95,225	95,225	0	95,225	95,225	0	0
Grants	9,014,582	10,800,925	10,800,925	0	9,767,925	9,767,925	0	0
Transfers	18,221	18,221	18,221	0	18,221	18,221	0	0
Debt Service	750	750	750	0	26,750	26,750	0	0
Total Costs	\$490,729,467	\$616,081,352	\$557,453,235	(\$58,628,117)	\$599,873,999	\$560,095,160	(\$39,778,839)	(\$98,406,956)
State/Other Special	237,162,066	287,267,695	241,412,637	(45,855,058)	260,039,377	245,543,065	(14,496,312)	(60,351,370)
Federal Special	253,567,401	328,813,657	316,040,598	(12,773,059)	339,834,622	314,552,095	(25,282,527)	(38,055,586)
Total Funds	\$490,729,467	\$616,081,352	\$557,453,235	(\$58,628,117)	\$599,873,999	\$560,095,160	(\$39,778,839)	(\$98,406,956)

For the biennium, the legislative budget is \$98.4 million less in total funds than the executive budget. State special revenue is \$60.4 million less and federal special revenue is \$38.0 million less in the legislative budget than the executive budget. The differences between the legislative and executive budgets are due primarily to the following factors:

- State special revenue was reduced by \$93 million to eliminate funding for U.S. Highway 93 construction activities, which were appropriated in HB 5
- Funding associated with the federal-aid highway construction program was reduced by \$64.5 million to reflect updated estimates for contractor payments and state staffing levels on planned highway construction activities after revising federal-aid highway funding levels expected for the 2007 biennium
- Funding for contractor payments associated with the state funded construction program was increased by \$33.5 million over the executive budget
- Funding for federal earmark projects that were not known when the executive budget was submitted added \$15.6 million total funds (\$881,810 state special revenue)
- 2.00 FTE civil engineers and \$1.3 million total funds were added to support bridge inspections
- Funding for a long-term project to integrate financial and resource management systems was reduced by \$907,000

- A request of \$500,000 to provide higher speed remote connectivity for computers at remote work sites was denied
- Funding for the transfer of the Motor Carrier Safety Assistance Program from the Department of Justice was funded at a level \$325,000 lower than the executive budget

Revised estimates for state staffing levels related to the updated federal-aid highway construction program funding resulted in approving funding for 59.00 FTE fewer than the executive budget in FY 2006 and 30.28 FTE more in FY 2007.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program.

All federal special revenue appropriations in the department are biennial.

All appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions, for the 2005 biennium are authorized to continue and are appropriated in fiscal year 2006 and fiscal year 2007.

The department shall provide a report for review by the general government and transportation joint appropriations subcommittee of the 2007 legislature that summarizes the accomplishments achieved from funding provided in the 2007 biennium for disadvantaged business enterprises and fuel tax evasion included in General Operations Program, and Corridor Studies. The report must at a minimum specify how many disadvantaged businesses were served and what services were provided. For each listed funding area, the report must include a listing of outcome goals planned for the 2007 biennium and the actual activities toward attaining the goals."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	164.77	0.00	5.00	169.77	0.00	6.00	170.77	170.77
Personal Services	8,227,383	348,321	463,222	9,038,926	347,333	916,937	9,491,653	18,530,579
Operating Expenses	11,505,433	(644,039)	0	10,861,394	(617,786)	0	10,887,647	21,749,041
Equipment	399,626	0	0	399,626	0	0	399,626	799,252
Grants	75,000	0	0	75,000	0	0	75,000	150,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	750	0	0	750	0	0	750	1,500
Total Costs	\$20,208,192	(\$295,718)	\$463,222	\$20,375,696	(\$270,453)	\$916,937	\$20,854,676	\$41,230,372
State/Other Special	19,466,174	(372,104)	462,264	19,556,334	(369,158)	914,250	20,011,266	39,567,600
Federal Special	742,018	76,386	958	819,362	98,705	2,687	843,410	1,662,772
Total Funds	\$20,208,192	(\$295,718)	\$463,222	\$20,375,696	(\$270,453)	\$916,937	\$20,854,676	\$41,230,372

Program Description

The General Operations Program administers motor fuel taxes and provides administrative support services for the department, including general administration and management, accounting and budgeting, public affairs, information technology services, human resources activities, compliance review, and goods and services procurement.

Program Highlights

Department of Transportation General Operations Program Major Budget Highlights	
♦	Total fund budget increases \$814,000 for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Pay plan adjustments (\$932,000) • Computer system enhancements and reprogramming (\$701,000) • Expanded services and compliance oversight of disadvantaged business enterprises (\$138,000) • Overtime and differential pay at the base level (\$132,000)
♦	6.00 FTE will be added by the end of the biennium for a long-term project to integrate agency management systems

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		General Operations Progr					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 19,466,174	96.3%	\$ 19,556,334	96.0%	\$ 20,011,266	96.0%
	02422 Highways Special Revenue	19,466,174	96.3%	19,556,334	96.0%	20,011,266	96.0%
03000	Total Federal Special Funds	742,018	3.7%	819,362	4.0%	843,410	4.0%
	03407 Highway Trust - Sp Rev	742,018	3.7%	819,362	4.0%	843,410	4.0%
Grand Total		<u>\$ 20,208,192</u>	<u>100.0%</u>	<u>\$ 20,375,696</u>	<u>100.0%</u>	<u>\$ 20,854,676</u>	<u>100.0%</u>

The General Operations Program is funded from the highways state special revenue fund and federal special revenue. The highways state special revenue fund receives revenue primarily from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, training, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				637,030					636,003
Vacancy Savings				(354,575)					(354,536)
Inflation/Deflation				(323,706)					(323,679)
Fixed Costs				(701,425)					(678,623)
Total Statewide Present Law Adjustments				(\$742,676)					(\$720,835)
DP 103 - Commercial Vehicle Operations Enhancements									
0.00	0	126,566	106,265	232,831	0.00	0	126,566	106,265	232,831
DP 105 - Overtime and Differential Pay									
0.00	0	65,866	0	65,866	0.00	0	65,866	0	65,866
DP 106 - Equipment Rental									
0.00	0	5,441	0	5,441	0.00	0	5,425	0	5,425
DP 108 - Human Resource Compliance									
0.00	0	10,943	0	10,943	0.00	0	10,934	0	10,934
DP 109 - DBE Support Services Expansion									
0.00	0	0	57,827	57,827	0.00	0	0	57,826	57,826
DP 110 - Video Conferencing									
0.00	0	10,800	0	10,800	0.00	0	10,800	0	10,800
DP 111 - Fuel Tax Evasion									
0.00	0	5,000	58,250	63,250	0.00	0	5,000	61,700	66,700
Total Other Present Law Adjustments									
0.00	\$0	\$224,616	\$222,342	\$446,958	0.00	\$0	\$224,591	\$225,791	\$450,382
Grand Total All Present Law Adjustments				(\$295,718)					(\$270,453)

DP 103 - Commercial Vehicle Operations Enhancements - The legislature approved increases of \$253,132 state special revenue and \$212,530 federal special revenue for the biennium to provide maintenance and enhancements of the software used by the department to administer and enforce state and federal commercial motor carrier laws and regulations. The legislature designated the funding as one-time-only.

DP 105 - Overtime and Differential Pay - The legislature approved \$131,732 state special revenue for the biennium to reestablish base year overtime and differential pay.

DP 106 - Equipment Rental - The legislature approved an increase of \$10,866 state special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 108 - Human Resource Compliance - The legislature approved an increase of \$21,887 state special revenue for the biennium to provide on-site compliance reviews of disadvantaged business enterprises (DBE) and to develop and maintain records to verify contractor compliance with federal labor and equal employment opportunity requirements.

DP 109 - DBE Support Services Expansion - The legislature approved an increase of \$115,653 federal special revenue for the biennium to expand services to DBE companies. Expanded services to DBE companies are for increased reimbursements, additional meetings and training workshops, an improved monthly newsletter, and additional marketing and financial assistance.

DP 110 - Video Conferencing - The legislature approved an increase of \$21,600 state special revenue for the biennium to fund video conferencing fees paid to the Information Technology Services Division of the Department of Administration under a service level agreement for seven video conferencing units added at the end of FY 2004.

DP 111 - Fuel Tax Evasion - The legislature approved increases of \$10,000 state special revenue and \$119,950 federal special revenue for the biennium for fuel tax evasion activities. Funding will develop and maintain an interface between the management system used to monitor fuel distributor data and the system to administer and enforce state and federal commercial motor carrier laws and regulations. Funding will also be used to purchase fuel tax evasion enforcement training videos, mobile audio/video recorders, and maintenance of an increased number of cell phones for Motor Carrier Services enforcement officers.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Integrated Financials										
01	5.00	0	203,986	0	203,986	6.00	0	244,318	0	244,318
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	0	258,278	958	259,236	0.00	0	669,932	2,687	672,619
Total	5.00	\$0	\$462,264	\$958	\$463,222	6.00	\$0	\$914,250	\$2,687	\$916,937

DP 101 - Integrated Financials - The legislature approved an increase of \$448,304 state special revenue for the biennium for a long-term project to integrate the department's management systems used for resource and project planning and scheduling, and financial planning, monitoring, and administration. The funding is for personal services to add 5.00 FTE in FY 2006 and 6.00 FTE in FY 2007.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	1,069.59	(18.35)	2.00	1,053.24	41.93	2.00	1,113.52	1,113.52
Personal Services	52,793,815	4,564,380	1,739,262	59,097,457	6,086,313	4,305,135	63,185,263	122,282,720
Operating Expenses	290,599,940	31,141,099	11,309,210	333,050,249	41,011,354	3,451,400	335,062,694	668,112,943
Equipment	857,670	0	1,000,000	1,857,670	0	0	857,670	2,715,340
Capital Outlay	15,526,338	473,663	0	16,000,001	473,663	0	16,000,001	32,000,002
Local Assistance	95,225	0	0	95,225	0	0	95,225	190,450
Grants	3,549,690	0	0	3,549,690	0	0	3,549,690	7,099,380
Total Costs	\$363,422,678	\$36,179,142	\$14,048,472	\$413,650,292	\$47,571,330	\$7,756,535	\$418,750,543	\$832,400,835
State/Other Special	126,894,127	(9,413,424)	1,784,673	119,265,376	(6,446,286)	2,050,248	122,498,089	241,763,465
Federal Special	236,528,551	45,592,566	12,263,799	294,384,916	54,017,616	5,706,287	296,252,454	590,637,370
Total Funds	\$363,422,678	\$36,179,142	\$14,048,472	\$413,650,292	\$47,571,330	\$7,756,535	\$418,750,543	\$832,400,835

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, environmental documents and permits, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved as meeting established construction standards. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

Program Highlights

Department of Transportation Construction Program Major Budget Highlights	
♦	Total fund budget increases \$105.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Increased funding for federal-aid highway construction related project costs in anticipation of higher federal funding (\$81.3 million) • Federal earmark projects (\$14.7 million) • Overtime and differential pay at the base level (\$8.8 million) • Pay plan adjustments (\$5.8 million)
♦	43.93 FTE will be added by the end of the biennium <ul style="list-style-type: none"> • 2.00 FTE traffic engineers to address workload issues • 39.93 FTE in FY 2007 associated with planned federal-aid construction projects • 2.00 FTE civil engineers to perform bridge inspections
♦	The state funded construction program will be reduced by \$5 million for the biennium below the base level

Funding

The following table shows program funding, by source, for the base and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Construction Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 126,894,127	34.9%	\$ 119,265,376	28.8%	\$ 122,498,089	29.3%
	02422 Highways Special Revenue	126,894,127	34.9%	119,265,376	28.8%	122,498,089	29.3%
03000	Total Federal Special Funds	236,528,551	65.1%	294,384,916	71.2%	296,252,454	70.7%
	03407 Highway Trust - Sp Rev	226,691,340	62.4%	286,104,314	69.2%	287,962,736	68.8%
	03828 Traffic Safety	<u>9,837,211</u>	<u>2.7%</u>	<u>8,280,602</u>	<u>2.0%</u>	<u>8,289,718</u>	<u>2.0%</u>
Grand Total		<u>\$ 363,422,678</u>	<u>100.0%</u>	<u>\$ 413,650,292</u>	<u>100.0%</u>	<u>\$ 418,750,543</u>	<u>100.0%</u>

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 87 percent federal with a 13 percent state match for most direct construction related costs. The program also provides a maintenance-of-effort highway construction program funded entirely with highways state special revenue. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. Traffic safety functions are generally funded 100 percent with National Highway Traffic Safety Administration grant funds. The exception is that a 50 percent state special revenue match is required for roughly 1 percent of the administrative costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,074,054						1,029,065
Vacancy Savings				(2,154,706)						(2,152,917)
Inflation/Deflation				(5,383)						(5,436)
Fixed Costs				(16,703)						(16,594)
Total Statewide Present Law Adjustments				(\$1,102,738)						(\$1,145,882)
DP 201 - Traffic Engineers	2.00	0	46,067	72,509	118,576	2.00	0	45,953	72,299	118,252
DP 202 - Contractor Payments/State Construction Program	0.00	0	(2,767,123)	0	(2,767,123)	0.00	0	(2,264,275)	0	(2,264,275)
DP 203 - Contractor Payments/Federal Aid Construction Prog	0.00	0	3,336,943	28,768,411	32,105,354	0.00	0	4,912,688	36,039,695	40,952,383
DP 205 - Construction Management FTE (20.35)	0	0	67,899	150,215	218,114	39.93	0	720,990	1,583,964	2,304,954
DP 206 - Aggregate Position Funding	0.00	0	520,792	1,152,167	1,672,959	0.00	0	523,302	1,149,657	1,672,959
DP 207 - Right-of-Way/Utilities	0.00	0	137,855	648,090	785,945	0.00	0	138,484	647,461	785,945
DP 208 - Community Transportation Enhancement Program	0.00	0	51,200	348,800	400,000	0.00	0	51,920	348,080	400,000
DP 209 - Overtime and Differential Pay	0.00	0	2,029,634	2,349,295	4,378,929	0.00	0	2,034,888	2,344,041	4,378,929
DP 210 - Equipment Rental	0.00	0	147,724	221,402	369,126	0.00	0	151,496	216,569	368,065
Total Other Present Law Adjustments (18.35)				\$0	\$3,570,991	\$33,710,889	\$37,281,880	41.93	\$0	\$6,315,446
Grand Total All Present Law Adjustments				\$36,179,142						\$48,717,212
										\$47,571,330

DP 201 - Traffic Engineers - The legislature approved increases of \$92,020 state special revenue and \$144,808 federal special revenue for the biennium to fund the addition of 2.00 FTE traffic engineering specialists for each year. The traffic engineers would address increasing demand for traffic engineering work in the preliminary engineering design and project development phases of federal-aid highway construction projects and in the hazards elimination safety program.

DP 202 - Contractor Payments/State Construction Program - The legislature approved a reduction of \$5 million state special revenue for the biennium in contractor payments for the state funded construction program.

DP 203 - Contractor Payments/Federal Aid Construction Prog - The legislature approved increases of \$8.2 million state special revenue and \$64.8 million federal special revenue for the biennium to fund payments to highway construction contractors based on department estimates of federal-aid funding in the most recent tentative construction plan.

DP 205 - Construction Management FTE - The legislature approved increases of \$788,889 state special revenue and \$1,734,179 federal special revenue for the biennium to adjust funding for preliminary and construction engineering functions in support of the most recent tentative construction plan. In doing so, the legislature approved funding changes that provide a reduction of 20.35 FTE in FY 2006 and an increase of 39.93 FTE in FY 2007 to match staffing to resource levels of the construction plan.

DP 206 - Aggregate Position Funding - The legislature approved increases of \$1,044,094 state special revenue and \$2,301,824 federal special revenue for the biennium to fully fund all aggregate positions in the Construction Program based on position incumbents.

DP 207 - Right-of-Way/Utilities - The legislature approved increases of \$276,339 state special revenue and \$1,295,551 federal special revenue for the biennium to fund utility relocation activities and purchase right-of-way for the expected increase in highway construction projects that would result from expected higher federal funding levels when the U.S. Congress reauthorizes federal highway funding.

DP 208 - Community Transportation Enhancement Program - The legislature approved increases of \$103,120 state special revenue and \$696,880 federal special revenue for the biennium to increase funding for the community transportation enhancement program (CTEP) to levels expected for the 2007 biennium under allocation formulas of federal-aid highway funding.

DP 209 - Overtime and Differential Pay - The legislature approved \$4,064,522 state special revenue and \$4,693,336 federal special revenue for the biennium to reestablish base year overtime and differential pay.

DP 210 - Equipment Rental - The legislature approved increases of \$299,220 state special revenue and \$437,971 federal special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 211 - Civil Engineers										
02	2.00	0	209,934	931,692	1,141,626	2.00	0	68,612	72,618	141,230
DP 213 - Federal Earmark Construction										
02	0.00	0	831,810	10,466,000	11,297,810	0.00	0	50,000	3,390,000	3,440,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
02	0.00	0	742,929	866,107	1,609,036	0.00	0	1,931,636	2,243,669	4,175,305
Total	2.00	\$0	\$1,784,673	\$12,263,799	\$14,048,472	2.00	\$0	\$2,050,248	\$5,706,287	\$7,756,535

DP 211 - Civil Engineers - The legislature approved increases of \$278,546 state special revenue and \$1,004,310 federal special revenue for the biennium to fund the addition of 2.00 FTE civil engineers to perform bridge inspections. The legislature designated \$140,000 state special revenue and \$860,000 federal special revenue in FY 2006 as one-time-only funding to buy capital equipment.

DP 213 - Federal Earmark Construction - The legislature approved increases of \$881,810 state special revenue and \$13.9 million federal special revenue for the biennium as one-time-only funding for the following federal earmarked construction projects:

- o Kalispell Bypass
- o S-323 Ekalaka-Alzada
- o Marysville Road Construction
- o US-2 Lohman Rail Crossing
- o Billings Bypass
- o Claggett Hill/L&C Ferries
- o US-87 Roadway Improvements
- o Whitefish Pedestrian/Bicycle Trails

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	761.17	0.00	0.00	761.17	0.00	0.00	761.17	761.17
Personal Services	35,186,585	3,174,965	1,049,383	39,410,933	3,244,311	2,734,848	41,165,744	80,576,677
Operating Expenses	56,190,657	3,287,287	975,000	60,452,944	3,359,068	75,000	59,624,725	120,077,669
Equipment	164,987	62,000	0	226,987	62,000	0	226,987	453,974
Capital Outlay	7,156	43,000	0	50,156	43,000	0	50,156	100,312
Total Costs	\$91,549,385	\$6,567,252	\$2,024,383	\$100,141,020	\$6,708,379	\$2,809,848	\$101,067,612	\$201,208,632
State/Other Special	83,203,653	7,606,205	1,124,383	91,934,241	7,622,695	2,809,848	93,636,196	185,570,437
Federal Special	8,345,732	(1,038,953)	900,000	8,206,779	(914,316)	0	7,431,416	15,638,195
Total Funds	\$91,549,385	\$6,567,252	\$2,024,383	\$100,141,020	\$6,708,379	\$2,809,848	\$101,067,612	\$201,208,632

Program Description

The Maintenance Program is responsible for preserving and maintaining a safe and environmentally sound state highway transportation system and related facilities. Major activities include sign maintenance and repair, and patching, repairing, and periodic sealing of highway surfaces and structures; snow removal; and sanding.

Program Highlights

Department of Transportation Maintenance Program Major Budget Highlights	
♦	<p>Total fund budget increases \$18.1 million for the biennium over the base due primarily to:</p> <ul style="list-style-type: none"> • Overtime and differential pay at the base level (\$4.8 million) • Increases in equipment rental charges (\$4.1 million) • Pay plan adjustments (\$3.8 million) • Increased funding for maintenance of rest areas and newly assumed secondary roads (\$1.3 million) • Increased noxious weed control costs (\$611,000) • Replacement and upgrades for remote weather site and communications equipment (\$460,000)

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Maintenance Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 83,203,653	90.9%	\$ 91,934,241	91.8%	\$ 93,636,196	92.6%
	02422 Highways Special Revenue	83,203,653	90.9%	91,934,241	91.8%	93,636,196	92.6%
03000	Total Federal Special Funds	8,345,732	9.1%	8,206,779	8.2%	7,431,416	7.4%
	03407 Highway Trust - Sp Rev	8,345,732	9.1%	8,206,779	8.2%	7,431,416	7.4%
Grand Total		\$ 91,549,385	100.0%	\$ 100,141,020	100.0%	\$ 101,067,612	100.0%

The Maintenance Program is primarily funded with highways state special revenue. Federal special revenue also funds a portion of the costs associated with the road reporter functions as well as qualifying highway maintenance activities determined by the Federal Highway Administration to extend the life of the highway.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,295,189					2,367,443
Vacancy Savings					(1,499,299)					(1,502,207)
Inflation/Deflation					89,796					83,971
Fixed Costs					(500)					(500)
Total Statewide Present Law Adjustments					\$885,186					\$948,707
DP 301 - Additional Secondary Roads										
0.00	0		234,552	0	234,552	0.00	0	316,152	0	316,152
DP 304 - Communications - Two Way Radios										
0.00	0		256,918	0	256,918	0.00	0	256,919	0	256,919
DP 305 - Rest Areas, Vaults and New Utilities										
0.00	0		361,611	0	361,611	0.00	0	361,611	0	361,611
DP 306 - RWIS System Maintenance and Expansion (OTO)										
0.00	0		230,075	0	230,075	0.00	0	230,075	0	230,075
DP 308 - Equipment Rental										
0.00	0		2,060,428	0	2,060,428	0.00	0	2,056,097	0	2,056,097
DP 309 - Biennial Appropriation Adjustments										
0.00	0		(846,497)	0	(846,497)	0.00	0	(846,497)	0	(846,497)
DP 310 - Pavement Markings										
0.00	0		115,348	404,471	519,819	0.00	0	115,348	404,471	519,819
DP 311 - Overtime and Differential Pay										
0.00	0		2,379,075	0	2,379,075	0.00	0	2,379,075	0	2,379,075
DP 313 - 511 Travelers Information Program										
0.00	0		80,000	0	80,000	0.00	0	80,000	0	80,000
DP 314 - Noxious Weed Control										
0.00	0		305,336	0	305,336	0.00	0	305,336	0	305,336
DP 315 - City Maintenance Contracts										
0.00	0		57,749	0	57,749	0.00	0	58,085	0	58,085
DP 316 - Land Acquisition										
0.00	0		43,000	0	43,000	0.00	0	43,000	0	43,000
Total Other Present Law Adjustments										
0.00	\$0	\$5,277,595	\$404,471	\$5,682,066		0.00	\$0	\$5,355,201	\$404,471	\$5,759,672
Grand Total All Present Law Adjustments					\$6,567,252					\$6,708,379

DP 301 - Additional Secondary Roads - The legislature approved an increase of \$550,704 state special revenue for the biennium to purchase materials to maintain 105.5 additional centerline miles of paved secondary roads assumed from counties under the authority of 60-2-203, MCA. Materials that would be purchased include such items as traffic paint, winter materials, replacement signs, and sand.

DP 304 - Communications - Two Way Radios - The legislature approved an increase of \$513,837 state special revenue for the biennium to: 1) replace obsolete two-way mobile radio communication equipment used by field personnel of the Maintenance Program, Construction Program, and Motor Carrier Services Divisions in Great Falls, Butte, and Helena; and 2) fund increased operating costs for new telephone systems installed in Bozeman, Havre, and Shelby at the end of FY 2004.

DP 305 - Rest Areas, Vaults and New Utilities - The legislature approved an increase of \$723,222 state special revenue for the biennium to fund: 1) increased contract costs for rest area maintenance; 2) operations and maintenance costs for two new rest areas that will open in the 2007 biennium; 3) utility costs at a new maintenance facility constructed in Melstone to replace an abandoned section house in Ingomar; and 4) the installation and maintenance of vault toilets at five pullout areas used by truck drivers and other large vehicles.

DP 306 - RWIS System Maintenance and Expansion (OTO) - The legislature approved an increase of \$460,150 state special revenue for the biennium to: 1) establish a regular replacement program for Roadway Weather Information System (RWIS) hardware and software; and 2) expand and enhance the system by adding more web cameras. The legislature approved \$131,375 of the funding in each fiscal year as one-time-only.

DP 308 - Equipment Rental - The legislature approved an increase of \$4,116,525 state special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 309 - Biennial Appropriation Adjustments - The legislature approved a reduction of \$1,692,994 state special revenue for the biennium to adjust the funding for the pavement preservation program to planned levels for the 2007 biennium.

DP 310 - Pavement Markings - The legislature approved increases of \$230,696 state special revenue and \$808,942 federal special revenue for the biennium to provide funding for pavement markings at the planned level of activity for the 2007 biennium.

DP 311 - Overtime and Differential Pay - The legislature approved \$4,758,150 state special revenue for the biennium to reestablish base year overtime and differential pay.

DP 313 - 511 Travelers Information Program - The legislature approved an increase of \$160,000 state special revenue for the biennium to fund the 511 Travelers Information Program with state funding to replace federal funding that will not be available after June 2005.

DP 314 - Noxious Weed Control - The legislature approved an increase of \$610,672 state special revenue for the biennium to increase the funding for cost increases for chemicals, equipment, and manpower to control noxious weeds on state highway rights-of-way.

DP 315 - City Maintenance Contracts - The legislature approved an increase of \$115,834 state special revenue for the biennium to fund increases associated with maintenance contacts with the cities of Missoula and Billings.

DP 316 - Land Acquisition - The legislature approved an increase of \$86,000 state special revenue for the biennium to purchase land for stockpile sites and facility sites associated with the Long Range Building Program.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 307 - City Rest Area										
03	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 317 - Lewis and Clark 511 Earmark (OTO)										
03	0.00	0	0	900,000	900,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	0	1,049,383	0	1,049,383	0.00	0	2,734,848	0	2,734,848
Total	0.00	\$0	\$1,124,383	\$900,000	\$2,024,383	0.00	\$0	\$2,809,848	\$0	\$2,809,848

DP 307 - City Rest Area - The legislature approved an increase of \$150,000 state special revenue for the biennium to fund caretaker and janitorial services as well as basic maintenance and repairs at 10 city park rest areas in which city operating obligations have expired.

DP 317 - Lewis and Clark 511 Earmark (OTO) - The legislature approved an increase of \$900,000 federal special revenue for the biennium to fund the analysis and implementation of a rural transportation management center in relation to the agency's traveler information system. The legislature designated funding for the earmark as one-time-only.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide.

The program has increased from 318 units in FY 1994 to 832 in FY 2004. During that time, annual mileage increased from 4.1 million to 11.0 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning stipulating that agencies lease new vehicles from the State Motor Pool instead of purchasing vehicles directly.

Proprietary Revenues and Expenses

Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide roughly 99 percent of the revenue for the program in FY 2004. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenue from accident damages reimbursed by private individuals or insurance companies. These damage reimbursement revenues generally cover only the expenses to repair the damage.

Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who need to travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and in other parts of the state and who frequently travel as a normal part of their work assignments. Long-term vehicles are typically housed and managed out of agency office locations and only returned to the State Motor Pool facilities for maintenance or reassignment.

In FY 2004, the State Motor Pool had revenues of roughly \$3.2 million from vehicle rental fees. Vehicle rent payments were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (53.6 percent) \$1,714,000
- State special revenue (25.4 percent) \$812,000
- Federal special revenue (19.7 percent) \$630,000
- All other funds (1.3 percent) \$44,000

The State Motor Pool is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all costs directly associated with vehicle operations including liability insurance. The program is reimbursed for costs directly attributable to operator abuse and accident costs caused by an outside party. User agencies can pay for optional full coverage insurance costs associated with employee use of State Motor Pool vehicles.

The majority of the costs of the program are indirect costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Indirect costs are supported by the assigned rates allocated to the seven classes of vehicles. The State Motor Pool supports 6.00 FTE. Administrative overhead and service activities that cannot be tied directly to a vehicle receive an allocation of 75 percent of the personal service costs with the remaining 25 percent allocated to specific units as specific maintenance and repair activities are tracked. Direct costs include gasoline, oil, and tires and are supported by the usage rates for all seven classes of vehicles. Expenses for gasoline, oil, and tires accounted for 32.0 percent of FY 2004 total expenses. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included a 3 percent increase in projections for indirect costs and a 5 percent increase in projections for direct costs. These growth factors are based on industry trends in which vehicle purchase costs are expected to increase, as are costs for repairs and maintenance. Rising oil prices are expected to keep oil, grease, and fuel costs higher than the base year expenditures.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest payments have a significant impact on motor pool assigned time rental rates.

Rental rates are set to recover sufficient revenue to meet loan principal and interest payments and operating costs, and to allow maintaining no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, a short-term loan would be requested or assets would be sold to satisfy the loan obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principal due June 30.

The program rents vehicles for use by other state government entities. The number of vehicles in the program has grown to 832 vehicles, nearly 2.6 times the 1994 fleet size. Because of this growth, the program has borrowed funds to purchase new vehicles. As such, the balance sheet for the program at the end of FY 2004 has \$14.8 million in equipment assets with vehicles comprising nearly 100 percent of total assets. The equipment assets are depreciated to nearly 41.1 percent of their cost, for a book value of \$8.7 million financed by \$4.8 million of long-term debt. The resultant fund equity is \$2.7 million or 27.0 percent of total assets. An adjustment to decrease the fund equity balance was included in the rates for the 2005 biennium. The adjustment was for net income gains from 1998 to 2002. The program decreased fund equity by approximately \$460,000 in FY 2004 and expects the fund equity to decrease by an additional \$450,000 by the end of FY 2005. These planned losses were not included in the 2007 biennium rental rates.

Proprietary Rate Explanation

The State Motor Pool rental rates are based on a two-tiered structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on BOI loans, depreciation, and other indirect expenses. The two-tiered rate structure first used in the 2003 biennium provides: 1) a stable revenue to pay loan payments and other cost obligations; and 2) equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class.

The motor pool management system provides cost information related to direct and indirect costs for each vehicle class. These costs were used to project final costs for the 2005 biennium and budgeted costs for the 2007 biennium. For the 2007 biennium, projected costs were adjusted for: 1) anticipated additional lease vehicle purchases; and 2) increases to direct and indirect costs.

The rates using the two-tiered structure are applied as follows for the two components of the State Motor Pool:

Daily rental:

$$\text{Cost (per occurrence)} = (\text{HR} \times \text{AR}) + (\text{AM} \times \text{MR}),$$

Out-stationed lease:

$$\text{Cost (annual)} = (2920 \times \text{AR}) + (\text{AM} \times \text{MR}),$$

where:

HR = 8 hours for each day the vehicle is checked out from the motor pool, including weekends

AR = per hour assigned rate

AM = actual miles traveled

MR = per mile operated rate

For the 2007 biennium, the legislature approved the rates shown Figure 7A for the State Motor Pool.

Proprietary Significant Present Law

By approving the rates in Figure 2 for the State Motor Pool, the legislature approved vehicle purchases and increased costs for vehicle fuel and insurance payments made to the Risk Management and Tort Defense Division of the Department of Administration.

Over all, 195 vehicles would be purchased in FY 2006 and 123 vehicles would be purchased in FY 2007. The program would replace 151 existing vehicles in FY 2006 and 99 vehicles in FY 2007. Vehicles that would be replaced are those that would reach the end of their economic lives at the time of replacement. In addition to replacing existing vehicles in the motor pool fleet, the out-stationed vehicle fleet would be expanded by 44 vehicles in FY 2006 and by 24 vehicles in FY 2007 to satisfy statewide vehicle needs for long-term leases in agencies.

Figure 2
State Motor Pool 2007 Biennium Approved Rates

Class	Description	Fiscal Year 2006		Fiscal Year 2007	
		Assigned	Usage	Assigned	Usage
		(per hr)	(per mile)	(per hr)	(per mile)
2	Small Utilities	\$1.377	\$0.069	\$1.408	\$0.069
4	Large Utilities	1.856	0.081	1.955	0.081
6	Midsize Compact	1.196	0.048	1.186	0.048
7	Small Pickups	1.153	0.073	1.106	0.073
11	Large Pickups	1.521	0.095	1.653	0.095
12	Van, All Types	1.399	0.084	1.432	0.084

Proprietary Program Description

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment that serve functions of the department. Other programs of the Department of Transportation are the exclusive users of the fleet. Costs for the program are financed through rental fees charged to user programs.

The program has increased the fleet size over the last several biennia due to: 1) increased federal-aid highway construction funding; and 2) the assumption of secondary roads by the department. At fiscal year end 1997, the program had 4041 units operated for more than 20.1 million miles per year. At the end of FY 2004, the fleet had grown to 4571 units operated for nearly 23.7 million miles per year, but has remained relatively stable since FY 2001.

Proprietary Revenues and Expenses

Revenue is generated through the vehicle and equipment rental fees and from the gain on sale of surplus assets. Rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winters, construction program workload, and travel requirements of the various programs using the equipment. As such, annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hour of usage due to the factors listed above for increased fleet size.

The program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet, including funding for 122.00 FTE. Approximately 40.0 percent of staff costs are allocated to administrative overhead and service activities that cannot be functionally tied directly to a piece of equipment. The remaining 60.0 percent of staff costs are allocated to specific units according to maintenance and repair activity. The program pays all costs directly associated with vehicle and equipment operations, including liability insurance and fuel. The Equipment Program is reimbursed for accident costs caused by an outside party and is reimbursed for any warranty work completed by department personnel.

Indirect costs, costs that cannot be traced directly to specific usage of the vehicles and equipment, are supported by the assigned rates and are allocated to each of the equipment fleet class and subclass. Direct costs, costs that can be traced directly to a particular unit use, include fuel, oil, and tires and are supported by usage rates. Indirect costs consist mainly of overhead costs and are allocated equally to all units of the fleet. Direct costs are tracked by the equipment management system and are allocated to the particular vehicle class for which they apply.

Equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue is from user rental fees charged for the use and possession of vehicles and equipment. Rental fees are based on a dual rate structure for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported biweekly and billings are generated on the same schedule as payrolls. Approximately \$700,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions, and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program does not generate sufficient revenue to meet these obligations, the program would either liquidate assets or receive a loan.

The fund equity balance shows an increase due primarily to the increased fleet size that resulted when the department assumed maintenance responsibility for paved secondary roads. Revenues are anticipated to equal operation expenses and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. In each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. With this federally funded equipment, the Equipment Program is obligated to maintain the equipment and will replace the units when their life cycles and costs dictate replacement.

The Equipment Program serves only other programs of the Department of Transportation. The cash flow is dependent on rental revenue and auction proceeds. If Montana experiences a harsh winter season, usage is higher and corresponding rental revenues are higher. The Equipment Program cash balance is generally less than the allowable 60-day maximum. With less than 60-day cash, the program occasionally does not have sufficient cash to cover obligations due at the beginning of each fiscal year. One significant expense that is paid at the beginning of the year is liability insurance paid to the Department of Administration Risk Management and Tort Claims Division for vehicle insurance. When needed for cash flow purposes, the program negotiates, at no interest, an inter-entity loan from the highway state special revenue account. The loan is repaid when rental revenues have generated enough cash to pay ongoing cash obligations.

Proprietary Rate Explanation

The rental rates are based on a two-tiered rate structure. Equipment users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles or hours used and is designed to recover direct costs such as labor, parts, fuel, lubricants, tires, and tubes. The assigned rate is designed to recover fixed costs such as insurance, depreciation, and indirect costs. Rental rates are adjusted each year based on the previous year operating experience. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The program's financial position also is considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement.

The legislature approved a program operating parameter that limits the program from charging rental rates that collect more than 60 days of working capital.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	111.50	0.00	9.38	120.88	0.00	12.50	124.00	124.00
Personal Services	4,248,192	225,817	790,224	5,264,233	225,048	1,255,364	5,728,604	10,992,837
Operating Expenses	805,983	45,398	783,807	1,635,188	43,082	987,671	1,836,736	3,471,924
Equipment	0	0	103,254	103,254	0	67,244	67,244	170,498
Total Costs	\$5,054,175	\$271,215	\$1,677,285	\$7,002,675	\$268,130	\$2,310,279	\$7,632,584	\$14,635,259
State/Other Special	5,054,175	271,215	627,285	5,952,675	268,130	910,279	6,232,584	12,185,259
Federal Special	0	0	1,050,000	1,050,000	0	1,400,000	1,400,000	2,450,000
Total Funds	\$5,054,175	\$271,215	\$1,677,285	\$7,002,675	\$268,130	\$2,310,279	\$7,632,584	\$14,635,259

Program Description

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, vehicle and driver safety, and motor carrier inspection. The Licensing and Permit Bureau issues commercial vehicle licenses and oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws.

Program Highlights

Department of Transportation Motor Carrier Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Total fund budget increases \$4.5 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Transferring the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice (\$2.7 million) • Operating costs for a new port-of-entry station at the Montana and Wyoming border (\$690,000) • Pay plan adjustments (\$564,000) ◆ 12.50 FTE will be added by the end of the biennium with the transfer of MCSAP 	

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Motor Carrier Services Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 5,054,175	100.0%	\$ 5,952,675	85.0%	\$ 6,232,584	81.7%
	02422 Highways Special Revenue	5,054,175	100.0%	5,952,675	85.0%	6,232,584	81.7%
03000	Total Federal Special Funds	-	-	1,050,000	15.0%	1,400,000	18.3%
	03407 Highway Trust - Sp Rev	-	-	1,050,000	15.0%	1,400,000	18.3%
Grand Total		\$ 5,054,175	100.0%	\$ 7,002,675	100.0%	\$ 7,632,584	100.0%

The Motor Carrier Services Division is fully funded primarily by the highways state special revenue fund, which receives revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees. With the transfer of the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice, federal safety funding from MCSAP grants supports 17 percent of the program.

Program Reorganization

The legislature passed SB 459 and transferred the Motor Carrier Safety Assistance Program from the Department of Justice to the department beginning October 1, 2005. Passage and approval of SB 459 transferred 12.50 FTE existing staff and \$2.7 million total funds. The transfer was included in HB 2 via DP 2205 in the Motor Carrier Services Division, which can be viewed for further details of the transfer.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				354,143					353,337
Vacancy Savings				(184,097)					(184,060)
Inflation/Deflation				1,527					1,807
Fixed Costs				(25)					(25)
Total Statewide Present Law Adjustments				\$171,548					\$171,059
DP 2202 - Overtime and Differential Pay									
0.00	0	55,771	0	55,771	0.00	0	55,771	0	55,771
DP 2203 - Equipment Rental									
0.00	0	18,896	0	18,896	0.00	0	16,300	0	16,300
DP 2204 - Credit Card Fees									
0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
Total Other Present Law Adjustments									
0.00	\$0	\$99,667	\$0	\$99,667	0.00	\$0	\$97,071	\$0	\$97,071
Grand Total All Present Law Adjustments				\$271,215					\$268,130

DP 2202 - Overtime and Differential Pay - The legislature approved \$111,542 state special revenue for the biennium to reestablish base year overtime and differential pay.

DP 2203 - Equipment Rental - The legislature approved an increase of \$35,196 state special revenue for the biennium to fund the program's share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 2204 - Credit Card Fees - The legislature approved an increase of \$50,000 state special revenue for the biennium to fund credit card fees associated with increased use of automated transactions by the commercial motor carrier industry.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 2201 - MT/WY Dietz Joint Port of Entry										
22	0.00	0	345,000	0	345,000	0.00	0	345,000	0	345,000
DP 2205 - Transfer MCSAP from the Dept of Justice										
22	9.38	0	124,814	1,050,000	1,174,814	12.50	0	163,021	1,400,000	1,563,021
DP 2206 - Computer Programming - HB 55 (OTO)										
22	0.00	0	10,000	0	10,000	0.00	0	0	0	0
DP 2207 - Transfer Fleet Vehicle Registration - HB 87										
22	0.00	0	(7,348)	0	(7,348)	0.00	0	(7,348)	0	(7,348)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
22	0.00	0	154,819	0	154,819	0.00	0	409,606	0	409,606
Total	9.38	\$0	\$627,285	\$1,050,000	\$1,677,285	12.50	\$0	\$910,279	\$1,400,000	\$2,310,279

DP 2201 - MT/WY Dietz Joint Port of Entry - The legislature approved an increase of \$690,000 state special revenue for the biennium to pay half of the maintenance expenses and contracted services for half of the salaries of up to 10 Wyoming state employees operating the new port of entry station operating at Dietz, Wyoming, on the Montana and Wyoming border. The Dietz facility is operated as a joint enforcement effort between the two states. Montana contracts with Wyoming to staff and operate the joint port-of-entry. The contract calls for Wyoming personnel to enforce Montana size and weight laws, issue Montana permits, and collect Montana gross vehicle weight fees.

DP 2205 - Transfer MCSAP from the Dept of Justice - The legislature approved increases of \$287,835 state special revenue and \$2,450,000 federal special revenue for the biennium to transfer the Motor Carriers Safety Assistance Program (MCSAP) from the Department of Justice to the Department of Transportation. The funding would add 9.63 FTE in FY 2006 and 12.50 FTE in FY 2007. The movement would consolidate all commercial motor vehicle regulation functions in one organizational unit.

DP 2206 - Computer Programming - HB 55 (OTO) - The legislature approved an increase of \$10,000 state special revenue for FY 2006 to make computer system modifications to accommodate the requirements of HB 55 that provides for permanent registration of trailers and semi trailer fleets. The legislature designated funding for HB 55 computer programming as one-time-only.

DP 2207 - Transfer Fleet Vehicle Registration - HB 87 - The legislature approved a reduction of \$14,696 state special revenue for the biennium to reflect the reduced administrative costs associated with transferring the responsibility for fleet vehicle registration from the department to the Department of Justice.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	452,378	25,135	14,252	491,765	23,935	37,005	513,318	1,005,083
Operating Expenses	398,010	535,952	2,437,750	3,371,712	(99,220)	155,750	454,540	3,826,252
Equipment	11,233	0	350,000	361,233	0	0	11,233	372,466
Grants	517,664	515,336	0	1,033,000	(517,664)	0	0	1,033,000
Transfers	18,221	0	0	18,221	0	0	18,221	36,442
Debt Service	0	0	0	0	0	26,000	26,000	26,000
Total Costs	\$1,397,506	\$1,076,423	\$2,802,002	\$5,275,931	(\$592,949)	\$218,755	\$1,023,312	\$6,299,243
State/Other Special	1,279,347	535,036	522,239	2,336,622	(516,847)	76,492	838,992	3,175,614
Federal Special	118,159	541,387	2,279,763	2,939,309	(76,102)	142,263	184,320	3,123,629
Total Funds	\$1,397,506	\$1,076,423	\$2,802,002	\$5,275,931	(\$592,949)	\$218,755	\$1,023,312	\$6,299,243

Program Description

The Montana Aeronautics Division: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The division administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 14 other state-owned airports.

Program Highlights

Department of Transportation Aeronautics Program Major Budget Highlights	
♦	<p>Total fund budget increases \$3.5 million for the biennium over the base due primarily to:</p> <ul style="list-style-type: none"> • Runway rehabilitation projects at the Lincoln and West Yellowstone airports (\$2.8 million) • Purchase of a replacement aircraft (\$388,000) • Pay plan adjustments (\$51,000)

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding Table							
Aeronautics Program							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,279,347	91.5%	\$ 2,336,622	44.3%	\$ 838,992	82.0%
	02287 Aeronautical Grant Account	427,744	30.6%	808,000	15.3%	-	-
	02827 Aeronautics Division	763,483	54.6%	1,303,622	24.7%	838,992	82.0%
	02962 Airport Pvm. Preservation	88,120	6.3%	225,000	4.3%	-	-
03000	Total Federal Special Funds	118,159	8.5%	2,939,309	55.7%	184,320	18.0%
	03060 Aeronautics Division	118,159	8.5%	2,939,309	55.7%	184,320	18.0%
Grand Total		<u>\$ 1,397,506</u>	<u>100.0%</u>	<u>\$ 5,275,931</u>	<u>100.0%</u>	<u>\$ 1,023,312</u>	<u>100.0%</u>

The Aeronautics Program, excluding the operations of the West Yellowstone Airport, is funded by both state and federal special revenue. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants. Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Because the proprietary funds do not require an appropriation, they are not included in the above table.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					35,886					34,635
Vacancy Savings					(19,531)					(19,480)
Inflation/Deflation					891					730
Fixed Costs					735					724
Total Statewide Present Law Adjustments					\$17,981					\$16,609
DP 210 - Overtime Pay and Board Per Diem										
0.00	0		9,280	0	9,280	0.00	0	9,280	0	9,280
DP 212 - Grants - Biennial										
0.00	0		515,336	0	515,336	0.00	0	(517,664)	0	(517,664)
DP 213 - System Plan - Biennial										
0.00	0		10,936	207,775	218,711	0.00	0	(6,564)	(124,725)	(131,289)
DP 214 - Program/Service Adjustments										
0.00	0		25,674	4,441	30,115	0.00	0	25,674	4,441	30,115
DP 215 - West Yellowstone Airport - Biennial										
0.00	0		0	285,000	285,000	0.00	0	0	0	0
Total Other Present Law Adjustments										
0.00	\$0		\$561,226	\$497,216	\$1,058,442	0.00	\$0	(\$489,274)	(\$120,284)	(\$609,558)
Grand Total All Present Law Adjustments					\$1,076,423					(\$592,949)

DP 210 - Overtime Pay and Board Per Diem - The legislature approved \$18,560 state special revenue for the biennium for overtime, differential pay, and per diem for the Aeronautics Board at the base level.

DP 212 - Grants - Biennial - The legislature approved a reduction of \$2,328 state special revenue for the biennium to align grants to communities and air-carrier airports with expected revenue from dedicated sources. The grants would fund airport safety and development projects, pavement preservation projects, and courtesy car purchases at qualified airports where rental cars are not available. The legislature approved a biennial appropriation for the base and this adjustment, all to be recorded in FY 2006.

DP 213 - System Plan - Biennial - The legislature approved increases of \$4,372 state special revenue and \$83,050 federal special revenue for the biennium to provide grants for development of a pavement condition index, land use planning, base plan updates required by the Federal Aviation Administration every five years, and the airport information management system. The legislature approved a biennial appropriation for the base and this adjustment to be recorded in FY 2006.

DP 214 - Program/Service Adjustments - The legislature approved increases of \$51,348 state special revenue and \$8,882 federal special revenue for the biennium to fund: 1) maintenance on state owned airports; 2) fuel cost increases; 3) equipment upgrades; 4) education services; 5) search and rescue operations; 6) increased cost due to a new aircraft maintenance shop; and 7) aeronautical promotion brochures.

DP 215 - West Yellowstone Airport - Biennial - The legislature approved an increase of \$285,000 federal special revenue for the biennium to fund a project to improve the taxiways and aprons at the West Yellowstone airport. The legislature approved a biennial appropriation and one-time-only funding for this adjustment.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 207 - Runway Rehab Lincoln Airport - Biennial/OTO										
40	0.00	0	119,987	2,279,763	2,399,750	0.00	0	7,487	142,263	149,750
DP 208 - Aircraft Engine and Propeller - Biennial/OTO										
40	0.00	0	32,000	0	32,000	0.00	0	0	0	0
DP 209 - Aircraft Purchase - Biennial/OTO										
40	0.00	0	356,000	0	356,000	0.00	0	32,000	0	32,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
40	0.00	0	14,252	0	14,252	0.00	0	37,005	0	37,005
Total	0.00	\$0	\$522,239	\$2,279,763	\$2,802,002	0.00	\$0	\$76,492	\$142,263	\$218,755

DP 207 - Runway Rehab Lincoln Airport - Biennial/OTO - The legislature approved increases of \$127,474 state special revenue and \$2,549,500 federal special revenue for the biennium to rehabilitate the runway pavement at the Lincoln Airport. The legislature approved a biennial appropriation and one-time-only funding for this adjustment.

DP 208 - Aircraft Engine and Propeller - Biennial/OTO - The legislature approved an increase of \$32,000 state special revenue for the biennium to overhaul the engine and propeller of a division-owned and operated 1975 A-36 Beechcraft Bonanza aircraft. The legislature approved a biennial appropriation with one-time-only funding for this adjustment.

DP 209 - Aircraft Purchase - Biennial/OTO - The legislature approved an increase of \$388,000 state special revenue for the biennium to purchase an aircraft to replace an existing aircraft used for air search and rescue activities. The legislature approved a biennial appropriation with \$324,000 of the FY 2006 funding as one-time-only.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Program Description

The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation matching the peak tourist demand of the area from June 1 to September 30. The airport serves as an inter-agency fire control center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate aircraft of various sizes. The airport has a terminal building with tenants that provide the following functions: cafe, gift shop, two car rental agencies, fixed based operation (FBO) serving general aviation, and Skywest Airlines. The operation of the West Yellowstone Airport is funded from an enterprise type proprietary fund.

Proprietary Revenues and Expenses

Revenues for the operation of the West Yellowstone Airport are derived from landing fees, building space rental fees, fuel flowage fees, sales receipts, and non-aero rentals.

Expenses from the fund are for personal services for 1.29 FTE and operating expenses such as janitorial supplies, insurance, facility maintenance, and matching funds for federally funded capital improvement projects at the airport.

Proprietary Rate Explanation

Fees for provided services are market based. The program for the operation of the West Yellowstone Airport charges fees that are not approved by the legislature and are based on negotiations with tenants and market factors. For the 2007 biennium, the fees for building leases and the sales receipts for the café and gift shop would increase and the rental of the sewer lagoon to the City of West Yellowstone would be tied to the consumer price index for all urban consumers (CPI-U). Because this is an enterprise type proprietary fund, the legislature does not approve rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	59.10	0.00	0.00	59.10	0.00	0.00	59.10	59.10
Personal Services	2,635,132	138,566	82,552	2,856,250	139,721	215,227	2,990,080	5,846,330
Operating Expenses	1,567,249	42,965	375,000	1,985,214	42,947	0	1,610,196	3,595,410
Equipment	22,922	0	0	22,922	0	0	22,922	45,844
Grants	4,872,228	1,271,007	0	6,143,235	1,271,007	0	6,143,235	12,286,470
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$9,097,531	\$1,452,538	\$457,552	\$11,007,621	\$1,453,675	\$215,227	\$10,766,433	\$21,774,054
State/Other Special	1,264,590	1,000,335	102,464	2,367,389	989,838	71,510	2,325,938	4,693,327
Federal Special	7,832,941	452,203	355,088	8,640,232	463,837	143,717	8,440,495	17,080,727
Total Funds	\$9,097,531	\$1,452,538	\$457,552	\$11,007,621	\$1,453,675	\$215,227	\$10,766,433	\$21,774,054

Program Description

The Transportation Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grants and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. This planning results in a program that includes buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

Program Highlights

Department of Transportation Transportation Planning Division Major Budget Highlights	
♦	Total fund budget increases \$3.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Transit facility and vehicle grants (\$1.9 million) • Transportation corridor studies (\$375,000) • Metropolitan planning grants (\$312,000) • Pay plan adjustments (\$298,000) • Transportation assistance for the disabled and elderly (\$292,000) • Statewide present law adjustments (\$272,000)

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Transportation Planning					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,264,590	13.9%	\$ 2,367,389	21.5%	\$ 2,325,938	21.6%
	02282 Fta Local Match	252,189	2.8%	252,189	2.3%	252,189	2.3%
	02422 Highways Special Revenue	1,012,401	11.1%	2,115,200	19.2%	2,073,749	19.3%
03000	Total Federal Special Funds	7,832,941	86.1%	8,640,232	78.5%	8,440,495	78.4%
	03147 Fta Grants	2,792,162	30.7%	3,741,753	34.0%	3,741,763	34.8%
	03407 Highway Trust - Sp Rev	5,040,779	55.4%	4,898,479	44.5%	4,698,732	43.6%
Grand Total		\$ 9,097,531	100.0%	\$ 11,007,621	100.0%	\$ 10,766,433	100.0%

The Transportation Planning Division is funded with a combination of state and federal special revenue funds. Transit grants are generally fully funded (100 percent) with federal transit administration funds. However, if a match is required it is provided by the local entity receiving services or on a rare occasion with highways state special revenue funds. The remaining division activities are funded with federal planning and research funds and state special revenue funds at a ratio of 69 percent federal and 31 percent state special revenue for the 2007 biennium. State special revenue funds include just over \$500,000 in local match pass-through authority for the 2007 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					251,114					252,324
Vacancy Savings					(115,446)					(115,501)
Inflation/Deflation					(489)					(457)
Fixed Costs					249					249
Total Statewide Present Law Adjustments					\$135,428					\$136,615
DP 5001 - SB 448 Transade	0.00	0	145,989	0	145,989	0.00	0	145,989	0	145,989
DP 5005 - Overtime and Differential	0.00	0	956	1,942	2,898	0.00	0	956	1,942	2,898
DP 5006 - Equipment Rental	0.00	0	6,364	25,457	31,821	0.00	0	6,354	25,417	31,771
DP 5008 - Accrual Accounting Error	0.00	0	2,277	9,107	11,384	0.00	0	2,277	9,107	11,384
DP 5009 - FTA Grants	0.00	0	0	969,101	969,101	0.00	0	0	969,101	969,101
DP 5010 - FIIWA Metropolitan Planning Grant	0.00	0	31,183	124,734	155,917	0.00	0	31,183	124,734	155,917
Total Other Present Law Adjustments										
	0.00	\$0	\$186,769	\$1,130,341	\$1,317,110	0.00	\$0	\$186,759	\$1,130,301	\$1,317,060
Grand Total All Present Law Adjustments					\$1,452,538					\$1,453,675

DP 5001 - SB 448 Transade - The legislature approved an increase of \$291,978 state special revenue for the biennium to increase funding for transportation assistance grants for the disabled and elderly to projected revenue levels.

DP 5005 - Overtime and Differential - The legislature approved \$1,912 state special revenue and \$3,884 federal special revenue for the biennium for overtime and differential pay at the base level.

DP 5006 - Equipment Rental - The legislature approved increases of \$12,718 state special revenue and \$50,874 federal special revenue for the biennium to fund the program share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 5008 - Accrual Accounting Error - The legislature approved increases of \$4,554 state special revenue and \$18,214 federal special revenue for the biennium to provide funding removed from the base due to an accounting error.

DP 5009 - FTA Grants - The legislature approved an increase of \$1,938,202 federal special revenue for the biennium for transit capital assistance grants to local governments. The projects were submitted through and supported by the Montana congressional delegation. These federal funds would be used to procure or construct transit facilities, purchase transit vehicles, and operate transit vehicles in rural areas.

DP 5010 - FHWA Metropolitan Planning Grant - The legislature approved increases of \$62,366 state special revenue and \$249,468 federal special revenue for the biennium to provide metropolitan planning grants to Billings, Great Falls, and Missoula to conduct transportation planning in urbanized areas.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5007 - Corridor Studies (OTO)										
50	0.00	0	75,000	300,000	375,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
50	0.00	0	27,464	55,088	82,552	0.00	0	71,510	143,717	215,227
Total	0.00	\$0	\$102,464	\$355,088	\$457,552	0.00	\$0	\$71,510	\$143,717	\$215,227

DP 5007 - Corridor Studies (OTO) - The legislature approved increases of \$75,000 state special revenue and \$300,000 federal special revenue for the biennium to fund corridor studies intended to evaluate the existing transportation system within and along specific corridors, and identify how the system could be improved to meet existing and long-term needs. The legislature designated funding for corridor studies as one-time-only.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	609.53	(9.45)	12.00	612.08	(9.50)	15.50	615.53	615.53
Personal Services	24,716,824	(527,047)	1,737,227	25,927,004	(510,706)	2,263,344	26,469,462	52,396,466
Operating Expenses	9,381,179	3,866,110	3,278,019	16,525,308	2,433,987	3,128,993	14,944,159	31,469,467
Equipment	93,986	0	0	93,986	0	0	93,986	187,972
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,452	0	0	2,452	0	0	2,452	4,904
Total Costs	\$34,194,441	\$3,339,063	\$5,015,246	\$42,548,750	\$1,923,281	\$5,392,337	\$41,510,059	\$84,058,809
General Fund	29,279,359	5,218,374	4,962,052	39,459,785	3,790,357	5,252,242	38,321,958	77,781,743
State/Other Special	549,014	72,907	3,897	625,818	83,316	10,497	642,827	1,268,645
Federal Special	2,362,285	(2,063,864)	4,360	302,781	(2,060,783)	11,590	313,092	615,873
Proprietary	2,003,783	111,646	44,937	2,160,366	110,391	118,008	2,232,182	4,392,548
Total Funds	\$34,194,441	\$3,339,063	\$5,015,246	\$42,548,750	\$1,923,281	\$5,392,337	\$41,510,059	\$84,058,809

Agency Description

The Department of Revenue collects revenue from and enforces regulations for over 30 state taxes and fees. The department also regulates the sale and distribution of alcoholic beverages in the state. The department is composed of six divisions with overall agency direction and management coordinated from the Director's Office.

Agency Highlights

Department of Revenue Major Budget Highlights	
♦	Total fund budget increases \$15.7 million for the biennium over the base
♦	General fund budget increases \$19.2 million for the biennium over the base
♦	Federal special revenue budget decreases \$4.1 million for the biennium from the base due primarily to the movement of the Unemployment Insurance tax collections function to the Department of Labor and Industry
♦	Significant budget increases for general fund are for: <ul style="list-style-type: none"> • Development of a new property tax system (\$5.5 million) • Replacement of the remainder of POINTS (\$4 million) • Pay plan adjustments (\$2.6 million) • Statewide present law adjustments (\$1.8 million) • IRIS operating costs (\$1.6 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$1.4 million) • 8.00 FTE tax compliance staff (\$1.12 million) • Increases in field office rent payments to local governments and private landlords (\$777,000) • Funding for an agriculture/forest land reappraisal program (\$571,000) • 3.00 FTE to collect delinquent income taxes owed to the state (\$262,000)
♦	Statewide FTE reductions eliminate 9.50 FTE by the end of the biennium and reduce general fund by \$0.9 million

Summary of Legislative Action

The legislative budget for total funds is an increase of \$15.7 million more for the biennium over the base of \$34.2 million, with a corresponding general fund increase of \$19.2 million. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$2.8 million of the total fund increase and \$2.5 million of the general fund budget for the biennium. Significant items in the legislative budget are:

- Funding for a new property tax system to replace the current obsolete system that is at risk of not being supported by the vendor (\$5.5 million)
- Funding to place the remainder of the tax types, except for property taxes, not currently administered by the Integrated Revenue Information System (IRIS) on the system (\$4 million)
- State employee pay plan (HB 447) adjustments (\$2.8 million)
- Statewide present law adjustments (\$1.8 million)
- Costs to operate IRIS, such as vendor maintenance services costs, and statewide network and computer usage costs (\$1.6 million)
- Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry as directed in SB 271 of the 2003 Legislature (\$1.4 million)
- 8.00 FTE tax compliance staff added to audit and enforce tax compliance in areas where other states have found significant non-compliance with personal income tax and corporate license taxes (\$1.12 million)
- Increases in rent payments for field offices outside Helena (\$777,000)
- Funding for an agriculture/forest land reappraisal program (\$571,000)
- Funding for 3.00 FTE to collect delinquent income taxes owed to the state to replace a contract with a private debt collection agency (\$262,000)

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Directors Office	\$ 8,480,939	\$ -	\$ 800	\$ 57,979	\$ 8,539,718	10.16%
02 Information Technology	7,318,671	-	-	139,884	7,458,555	8.87%
05 Resource Management	2,070,165	-	-	2,558,363	4,628,528	5.51%
06 Customer Service Center	10,111,046	863,170	184,800	1,636,322	12,795,338	15.22%
07 Business And Income Taxes Division	11,820,656	305,475	430,273	-	12,556,404	14.94%
08 Property Assessment Division	37,980,266	100,000	-	-	38,080,266	45.30%
Grand Total	\$ 77,781,743	\$ 1,268,645	\$ 615,873	\$ 4,392,548	\$ 84,058,809	100.00%

For the 2007 biennium, a reduction of \$1.9 million federal special revenue and an increase of \$1.4 million general fund were made to fund fixed and indirect costs of the department. The funding switch was made because the Unemployment Insurance Tax collection function was moved to the Department of Labor and Industry under the direction of SB 271 of the 2003 Legislature while the fixed and indirect costs remained at the levels of the 2005 biennium.

Other Legislation

Senate Bill 48 – SB 48 stops the class eight property tax reduction that would have gradually reduced the class eight property tax rate to zero under certain state economic conditions. SB 48 also raised the threshold value of class eight properties subject to an exemption from the tax. Funding was added to HB 2 to address the fiscal and staffing impacts identified in the fiscal note for SB 48. See DP 806 in the Property Assessment Division for further discussion of the funding for SB 48, which basically involve costs for printing and mailing forms. SB 48 has become law.

Senate Bill 345 – SB 345 revises laws related to urban renewal and tax increment financing. The fiscal note for SB 345 identifies one-time costs to modify programming of the Montana Ownership Database System to administer the changes of SB 345. The fiscal note identified that one-time funding in FY 2006 for 0.27 FTE and other funds totaling nearly \$22,000 would address the fiscal impacts of the bill. The executive did not request funding for these impacts and HB 2 does not contain additional funding to address the fiscal impacts of the bill. SB 345 has become law.

House Bill 667 – HB 667 creates purchasing pools and a tax credit for health insurance premiums paid through the pool. The fiscal note for the bill indicates that the department would need additional 0.25 FTE and total funding of \$10,653 in FY 2007 to administer and audit the tax credit provided for in the bill. Additional funding was not requested by the executive and is not included in HB 2 to address the identified fiscal impacts of HB 667. HB 667 has become law.

House Bill 745 – HB 745 establishes a supplemental appropriation of \$13.9 million general fund to finish making contractor payments for the portion of the Integrated Revenue Information System (IRIS) development project that was begun and completed in the 2005 biennium. In addition, HB 745 provides a supplemental appropriation of \$2.1 million general fund to the Department of Administration to pay contractor payments for IRIS for portions of the project that would be substantially complete in the 2005 biennium but may not be billed until after the end of FY 2005 and would qualify to be accrued for payment with FY 2005 funds. HB 745 has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	609.53	620.08	612.08	(8.00)	620.03	615.53	(4.50)	
Personal Services	24,716,824	25,397,668	25,927,004	529,336	24,538,576	26,469,462	1,930,886	2,460,222
Operating Expenses	9,381,179	16,527,506	16,525,308	(2,198)	14,736,550	14,944,159	207,609	205,411
Equipment	93,986	133,986	93,986	(40,000)	93,986	93,986	0	(40,000)
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,452	2,102,452	2,452	(2,100,000)	2,452	2,452	0	(2,100,000)
Total Costs	\$34,194,441	\$44,161,612	\$42,548,750	(\$1,612,862)	\$39,371,564	\$41,510,059	\$2,138,495	\$525,633
General Fund	29,279,359	41,125,841	39,459,785	(1,666,056)	36,323,558	38,321,958	1,998,400	332,344
State/Other Special	549,014	621,921	625,818	3,897	632,330	642,827	10,497	14,394
Federal Special	2,362,285	298,421	302,781	4,360	301,502	313,092	11,590	15,950
Proprietary	2,003,783	2,115,429	2,160,366	44,937	2,114,174	2,232,182	118,008	162,945
Total Funds	\$34,194,441	\$44,161,612	\$42,548,750	(\$1,612,862)	\$39,371,564	\$41,510,059	\$2,138,495	\$525,633

For the biennium, the legislative budget is \$526,000 more in total funds than the executive budget. The differences between the legislative and executive budgets are due primarily to the following factors. The legislature:

- Approved the state employee pay plan (\$2.8 million)
- Approved requests by the executive to withdraw funding requested to pay off the Integrated Revenue Information System (IRIS) computer system loan (\$2.1 million) and to reduce funding for seasonal returns processing staff (\$238,000)
- Replaced a request for a \$475,000 language appropriation with an appropriation of \$254,000 general fund to add 3.00 FTE for collecting delinquent income taxes
- Approved funding for an agricultural/forest land reappraisal program at a lower level than presented in the executive budget (\$829,000 general fund lower)
- Added funding for costs to collect child support debt (\$147,000)

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.00	(1.00)	0.00	28.00	(1.00)	0.00	28.00	28.00
Personal Services	1,657,995	(111,183)	44,562	1,591,374	(110,683)	113,756	1,661,068	3,252,442
Operating Expenses	670,634	3,058,951	0	3,729,585	887,057	0	1,557,691	5,287,276
Equipment	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,328,629	\$2,947,768	\$44,562	\$5,320,959	\$776,374	\$113,756	\$3,218,759	\$8,539,718
General Fund	2,177,182	3,071,083	43,626	5,291,891	900,489	111,377	3,189,048	8,480,939
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	121,280	(120,480)	0	800	(121,280)	0	0	800
Proprietary	30,167	(2,835)	936	28,268	(2,835)	2,379	29,711	57,979
Total Funds	\$2,328,629	\$2,947,768	\$44,562	\$5,320,959	\$776,374	\$113,756	\$3,218,759	\$8,539,718

Program Description

The Director's Office supports the agency's director and is composed of six work units that provide the following functions:

- Supervises the overall legal efforts of the department, includes reviewing administrative rules and policies and supporting the Office of Dispute Resolution
- Provides research and analysis of state revenue legislation and legislative proposals affecting the department, and department economic data analysis
- Consolidates the department budget
- Provides department communication activities, including information dissemination, media relations, document editing, stakeholder relations, website maintenance, public involvement, and special events
- Provides information and analysis of the adequacy and the effectiveness of department systems of internal controls, operational quality control, and compliance with established standards and management expectations
- Provides administrative support for all units in the Director's Office including, preparing for legislative committees, transcribing legal hearings, editing correspondence, and finalizing mass mailings

Program Highlights

Department of Revenue Director's Office Major Budget Highlights	
♦	General fund budget increases \$4.1 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Replacement of the remainder of POINTS (\$4 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$241,000) • State employee pay plan adjustments (\$155,000)
♦	Statewide FTE reductions eliminate 1.00 FTE quality assurance manager by the end of the biennium and reduce general fund by \$127,000
♦	A language appropriation of \$1.4 million general fund was approved for transition costs of the POINTS project

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Directors Office					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 2,177,182	93.5%	\$ 5,291,891	99.5%	\$ 3,189,048	99.1%
	01100 General Fund	2,177,182	93.5%	5,291,891	99.5%	3,189,048	99.1%
03000	Total Federal Special Funds	121,280	5.2%	800	0.0%	-	-
	03928 Royalty Audit - Nrcet	800	0.0%	800	0.0%	-	-
	03954 Uf Administrative Grants	120,480	5.2%	-	-	-	-
06000	Total Proprietary Funds	30,167	1.3%	28,268	0.5%	29,711	0.9%
	06005 Liquor Division	30,167	1.3%	28,268	0.5%	29,711	0.9%
Grand Total		<u>\$ 2,328,629</u>	<u>100.0%</u>	<u>\$ 5,320,959</u>	<u>100.0%</u>	<u>\$ 3,218,759</u>	<u>100.0%</u>

Funding for the program comes primarily from the general fund. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Director's Office support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium. The remaining federal funds are from an allocation of funds in support of the mineral royalty audits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				19,751					20,083
Vacancy Savings				(67,108)					(67,123)
Inflation/Deflation				(425)					(423)
Fixed Costs				59,376					(112,520)
Total Statewide Present Law Adjustments				\$11,594					(\$159,983)
DP 101 - Replacement of Federal Funds - UI Transfer									
0.00	120,480	0	(120,480)	0	0.00	120,480	0	(120,480)	0
DP 104 - Statewide FTE Reduction									
(1.00)	(63,826)	0	0	(63,826)	(1.00)	(63,643)	0	0	(63,643)
DP 106 - Replace the Remainder of the POINTS System									
0.00	3,000,000	0	0	3,000,000	0.00	1,000,000	0	0	1,000,000
Total Other Present Law Adjustments									
(1.00)	\$3,056,654	\$0	(\$120,480)	\$2,936,174	(1.00)	\$1,056,837	\$0	(\$120,480)	\$936,357
Grand Total All Present Law Adjustments				\$2,947,768					\$776,374

DP 101 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$240,960 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 104 - Statewide FTE Reduction - The legislature approved a reduction of \$127,469 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The position that will likely be eliminated for this reduction is the internal quality assurance manager. The position evaluates department processes, recommends process improvements, and assists division personnel in implementing changes.

DP 106 - Replace the Remainder of the POINTS System - The legislature approved an increase of \$4.0 million general fund for the biennium to shut down the POINTS system. This funding would allow the department to contract for the implementation of the remaining tax types including: consumer counsel, contractor gross receipts, electrical energy, metal mines, nursing facility beds, public service regulation, resource indemnity, retail communication excise, wholesale energy transaction, 911, abandoned property, coal gross proceeds, coal severance, other tobacco products, telephone device for the deaf (TDD), and liquor (beer, wine, and hard cider). The legislature designated funding as one-time-only, biennial, and restricted only for the requested purpose.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	43,626	0	0	44,562*	0.00	111,377	0	0	113,756*
Total	0.00	\$43,626	\$0	\$0	\$44,562*	0.00	\$111,377	\$0	\$0	\$113,756*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Any funds remaining, up to \$1,400,000, from the appropriation authorized in section 12(1), Chapter 597, Laws of 2003, are reappropriated to the department for the 2007 biennium for the stated purpose."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.00	(2.00)	0.00	29.00	(2.00)	0.00	29.00	29.00
Personal Services	1,410,743	142,308	43,354	1,596,405	141,571	110,468	1,662,782	3,259,187
Operating Expenses	1,394,083	379,993	0	1,774,076	1,019,833	0	2,413,916	4,187,992
Equipment	5,688	0	0	5,688	0	0	5,688	11,376
Total Costs	\$2,810,514	\$522,301	\$43,354	\$3,376,169	\$1,161,404	\$110,468	\$4,082,386	\$7,458,555
General Fund	2,530,552	733,933	42,446	3,306,931	1,373,036	108,152	4,011,740	7,318,671
Federal Special	215,490	(215,490)	0	0	(215,490)	0	0	0
Proprietary	64,472	3,858	908	69,238	3,858	2,316	70,646	139,884
Total Funds	\$2,810,514	\$522,301	\$43,354	\$3,376,169	\$1,161,404	\$110,468	\$4,082,386	\$7,458,555

Program Description

The Information Technology Division provides data, application, and technology support for department computer users. The division plans, coordinates, delivers, and controls information resources for the department. The division manages all computing services provided to the department, including integrating and managing desktop, mid-tier, and mainframe applications as well as network support services.

Program Highlights

Department of Revenue Information Technology Major Budget Highlights	
<ul style="list-style-type: none"> ◆ General fund budget increases \$2.3 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • IRIS operating costs (\$1.6 million) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$431,000) • Statewide present law adjustments (\$230,000) • State employee pay plan adjustments (\$151,000) ◆ Statewide FTE reductions eliminate 2.00 FTE computer programmer analysts by the end of the biennium and reduce general fund by \$177,000 	

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Information Technology					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 2,530,552	90.0%	\$ 3,306,931	97.9%	\$ 4,011,740	98.3%
	01100 General Fund	2,530,552	90.0%	3,306,931	97.9%	4,011,740	98.3%
03000	Total Federal Special Funds	215,490	7.7%	-	-	-	-
	03954 Ui Administrative Grants	215,490	7.7%	-	-	-	-
06000	Total Proprietary Funds	64,472	2.3%	69,238	2.1%	70,646	1.7%
	06005 Liquor Division	64,472	2.3%	69,238	2.1%	70,646	1.7%
Grand Total		<u>\$2,810,514</u>	<u>100.0%</u>	<u>\$3,376,169</u>	<u>100.0%</u>	<u>\$4,082,386</u>	<u>100.0%</u>

The Information Technology Division is funded with general fund and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Information Technology Program support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				299,120					298,095
Vacancy Savings				(68,395)					(68,352)
Inflation/Deflation				(1,813)					(1,807)
Fixed Costs				(109,859)					(109,774)
Total Statewide Present Law Adjustments				\$119,053					\$118,162
DP 201 - Replacement of Federal Funds - UI Transfer									
0.00	215,490	0	(215,490)	0	0.00	215,490	0	(215,490)	0
DP 202 - IRIS Operating Costs									
0.00	491,665	0	0	491,665	0.00	1,131,414	0	0	1,131,414
DP 203 - Statewide FTE Reduction									
(2.00)	(88,417)	0	0	(88,417)	(2.00)	(88,172)	0	0	(88,172)
Total Other Present Law Adjustments									
(2.00)	\$618,738	\$0	(\$215,490)	\$403,248	(2.00)	\$1,258,732	\$0	(\$215,490)	\$1,043,242
Grand Total All Present Law Adjustments				\$522,301					\$1,161,404

DP 201 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$430,980 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 202 - IRIS Operating Costs - The legislature approved an increase of \$1.6 million general fund for the biennium to fund on-going operating costs for IRIS. Funding would be used to pay statewide computer network service costs, vendor maintenance and support costs, and additional printing and mailing costs of account receivable statements mailed monthly with the new system.

DP 203 - Statewide FTE Reduction - The legislature approved a reduction of \$176,589 general fund for the biennium to permanently eliminate 2.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that will likely be eliminated for this reduction are for computer programmer analysts.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
02	0.00	42,446	0	0	43,354*	0.00	108,152	0	0	110,468*
Total	0.00	\$42,446	\$0	\$0	\$43,354*	0.00	\$108,152	\$0	\$0	\$110,468*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	37.50	(1.00)	0.00	36.50	(1.00)	0.00	36.50	36.50
Personal Services	1,582,022	98,850	49,694	1,730,566	98,046	128,840	1,808,908	3,539,474
Operating Expenses	471,967	16,323	0	488,290	14,555	0	486,522	974,812
Equipment	57,121	0	0	57,121	0	0	57,121	114,242
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$2,111,110	\$115,173	\$49,694	\$2,275,977	\$112,601	\$128,840	\$2,352,551	\$4,628,528
General Fund	862,809	128,332	25,032	1,016,173	127,015	64,168	1,053,992	2,070,165
Federal Special	106,677	(106,677)	0	0	(106,677)	0	0	0
Proprietary	1,141,624	93,518	24,662	1,259,804	92,263	64,672	1,298,559	2,558,363
Total Funds	\$2,111,110	\$115,173	\$49,694	\$2,275,977	\$112,601	\$128,840	\$2,352,551	\$4,628,528

Program Description

The Resource Management Program provides service and support to the department by integrating the human resources, payroll and benefits, accounting, facilities management, and training and education functions of the department. The Liquor Distribution Unit is managed in this program.

Program Highlights

Department of Revenue Resource Management Major Budget Highlights	
♦	General fund budget increases \$345,000 for the biennium over the base due primarily to: <ul style="list-style-type: none"> Statewide present law adjustments (\$169,000) Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$213,000) State employee pay plan adjustments (\$89,000)
♦	Statewide FTE reductions eliminate 1.00 FTE bureau chief by the end of the biennium and reduce general fund by \$127,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Resource Management					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 862,809	40.9%	\$ 1,016,173	44.6%	\$ 1,053,992	44.8%
	01100 General Fund	862,809	40.9%	1,016,173	44.6%	1,053,992	44.8%
03000	Total Federal Special Funds	106,677	5.1%	-	-	-	-
	03954 Ui Administrative Grants	106,677	5.1%	-	-	-	-
06000	Total Proprietary Funds	1,141,624	54.1%	1,259,804	55.4%	1,298,559	55.2%
	06005 Liquor Division	<u>1,141,624</u>	<u>54.1%</u>	<u>1,259,804</u>	<u>55.4%</u>	<u>1,298,559</u>	<u>55.2%</u>
Grand Total		<u>\$ 2,111,110</u>	<u>100.0%</u>	<u>\$ 2,275,977</u>	<u>100.0%</u>	<u>\$ 2,352,551</u>	<u>100.0%</u>

The Resource Management Program is funded by the general fund and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Division proprietary fund and is for the Liquor Division share of Resource Management Program support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry, the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium.

The Liquor Distribution Unit is funded with a direct appropriation of Liquor Division proprietary fund. Net revenues from liquor sales are transferred to the general fund once operating costs are deducted from gross revenues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					235,351					234,323
Vacancy Savings					(72,694)					(72,655)
Inflation/Deflation					1,188					(592)
Fixed Costs					15,135					15,147
Total Statewide Present Law Adjustments					\$178,980					\$176,223
DP 501 - Replacement of Federal Funds - UI Transfer	0.00	106,677	0	(106,677)	0	0.00	106,677	0	(106,677)	0
DP 505 - Statewide FTE Reduction	(1.00)	(63,807)	0	0	(63,807)	(1.00)	(63,622)	0	0	(63,622)
Total Other Present Law Adjustments										
	(1.00)	\$42,870	\$0	(\$106,677)	(\$63,807)	(1.00)	\$43,055	\$0	(\$106,677)	(\$63,622)
Grand Total All Present Law Adjustments					\$115,173					\$112,601

DP 501 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$213,354 for the biennium and increase general fund by the same amount due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs.

DP 505 - Statewide FTE Reduction - The legislature approved a reduction of \$127,429 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The program will likely eliminate a bureau chief position.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
05	0.00	25,032	0	0	49,694*	0.00	64,168	0	0	128,840*
Total	0.00	\$25,032	\$0	\$0	\$49,694*	0.00	\$64,168	\$0	\$0	\$128,840*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in amounts not to exceed \$78,766,985 in fiscal year 2006 and \$83,497,337 in fiscal year 2007.

In the event that the department is unable to meet statutory service levels because of the increase in demand for liquor products, the department may hire additional temporary employees or pay overtime, whichever is determined to be the more cost-effective, to maintain required service levels to stores. In fiscal year 2006 and in fiscal year 2007, the department is appropriated not more than \$40,000 each year for additional costs from the liquor enterprise fund (06005) to meet the service level requirements.

In the liquor division, upon a termination that requires a payout of accrued leave balances, liquor division proprietary funds are appropriated from the liquor enterprise fund (06005) to the department in the amount equal to the payout of the accrued leave balances, not to exceed \$30,000 for each of fiscal years 2006 and 2007."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	108.25	(1.00)	3.00	110.25	(1.00)	3.00	110.25	110.25
Personal Services	3,933,401	(279,958)	240,482	3,893,925	(285,193)	445,840	4,094,048	7,987,973
Operating Expenses	2,354,053	(55,418)	92,321	2,390,956	(57,940)	83,972	2,380,085	4,771,041
Equipment	18,162	0	0	18,162	0	0	18,162	36,324
Total Costs	\$6,305,616	(\$335,376)	\$332,803	\$6,303,043	(\$343,133)	\$529,812	\$6,492,295	\$12,795,338
General Fund	4,511,183	160,591	310,475	4,982,249	146,940	470,674	5,128,797	10,111,046
State/Other Special	359,397	62,044	3,897	425,338	67,938	10,497	437,832	863,170
Federal Special	667,516	(575,116)	0	92,400	(575,116)	0	92,400	184,800
Proprietary	767,520	17,105	18,431	803,056	17,105	48,641	833,266	1,636,322
Total Funds	\$6,305,616	(\$335,376)	\$332,803	\$6,303,043	(\$343,133)	\$529,812	\$6,492,295	\$12,795,338

Program Description

The Customer Service Center combines the document and information processing, accounts receivable and collections, and customer intake processes into a single business unit designed to collect revenue, process documents, provide taxpayer information, and process liquor licenses for the department and agency partners. The center is responsible for electronic commerce, document capture, remittance processing, records management, direct deposit of cash receipts and revenue, and mail distribution. The center provides a single point of contact for debtors and is responsible for delinquent account collection and enforcement activities.

Program Highlights

Department of Revenue Customer Service Center Major Budget Highlights	
♦	General fund budget increases \$1.1 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • State employee pay plan adjustments (\$380,000) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$378,000) • Delinquent income tax receivable collection (\$262,000)
♦	Statewide FTE reductions eliminate 1.00 FTE collections technician by the end of the biennium and reduce general fund by \$55,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Customer Service Center					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 4,511,183	71.5%	\$ 4,982,249	79.0%	\$ 5,128,797	79.0%
	01100 General Fund	4,511,183	71.5%	4,982,249	79.0%	5,128,797	79.0%
02000	Total State Special Funds	359,397	5.7%	425,338	6.7%	437,832	6.7%
	02025 Unclaimed Property	162,446	2.6%	171,216	2.7%	182,836	2.8%
	02088 One-Stop And New Hire Admin.	164,500	2.6%	225,000	3.6%	225,000	3.5%
	02110 Accommodation Tax Admin	27,451	0.4%	29,122	0.5%	29,996	0.5%
	02396 Sb354-Restaurant Beer & Wine	5,000	0.1%	-	-	-	-
03000	Total Federal Special Funds	667,516	10.6%	92,400	1.5%	92,400	1.4%
	03680 New Hire Admin (Federal Share)	92,400	1.5%	92,400	1.5%	92,400	1.4%
	03954 U Administrative Grants	575,116	9.1%	-	-	-	-
06000	Total Proprietary Funds	767,520	12.2%	803,056	12.7%	833,266	12.8%
	06005 Liquor Division	767,520	12.2%	803,056	12.7%	833,266	12.8%
Grand Total		<u>\$ 6,305,616</u>	<u>100.0%</u>	<u>\$ 6,303,043</u>	<u>100.0%</u>	<u>\$ 6,492,295</u>	<u>100.0%</u>

The Customer Service Center is funded with general fund, state and federal special revenue, and proprietary funds. Liquor Division proprietary funds are for the Liquor Division share of Customer Service Center support costs. The allocation is based on FTE counts. Liquor Division proprietary funds are an indirect use of general fund since net liquor revenues, after operating costs are deducted, are deposited in the general fund. State special revenue is primarily for administrative costs for administering functions associated with abandoned property, the Montana Small Business Licensing Coordination Act, and accommodations taxes.

The delinquent account collection and enforcement activities are funded with internal service proprietary funds and are not included in the budget tables for the program. The proprietary section of this program discusses funding for the delinquent account collection and enforcement activities, and the rate requested to finance this internal service funded portion of the program.

For the 2005 biennium, federal special revenue comes from federal unemployment insurance funds. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry (DOLI), the federal unemployment insurance funds will no longer be available for program funding in the 2007 biennium. The remaining federal funds are for the administration of new hire processes.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(99,040)					(104,573)
Vacancy Savings					(153,381)					(153,153)
Inflation/Deflation					(40,999)					(40,996)
Fixed Costs					36,657					34,132
Total Statewide Present Law Adjustments					(\$256,763)					(\$264,590)
DP 601 - Replacement of Federal Funds - UI Transfer	0.00	188,878	0	(239,954)	(51,076)	0.00	188,878	0	(239,954)	(51,076)
DP 602 - Statewide FTE Reduction	(1.00)	(27,537)	0	0	(27,537)	(1.00)	(27,467)	0	0	(27,467)
Total Other Present Law Adjustments	(1.00)	\$161,341	\$0	(\$239,954)	(\$78,613)	(1.00)	\$161,411	\$0	(\$239,954)	(\$78,543)
Grand Total All Present Law Adjustments					(\$335,376)					(\$343,133)

DP 601 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$479,908 for the biennium and increase general fund by \$377,756 due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs. The net impact from this adjustment is a \$102,152 total fund reduction for the biennium due to the need for less operating expenses such as personal computer equipment, telephone equipment, and office supplies.

DP 602 - Statewide FTE Reduction - The legislature approved a reduction of \$55,004 general fund for the biennium to permanently eliminate 1.00 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The position that will likely be eliminated for this reduction is for a grade 9, collections technician.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 604 - Delinquent Income Tax Receivable Collection										
06	3.00	131,121	0	0	131,121	3.00	122,463	0	0	122,463
DP 605 - Child Support Debt Collection Costs										
06	0.00	73,730	0	0	73,730	0.00	73,730	0	0	73,730
DP 6010 - 2007 Biennium Pay Plan - HB 447										
06	0.00	105,624	3,897	0	127,952*	0.00	274,481	10,497	0	333,619*
Total	3.00	\$310,475	\$3,897	\$0	\$332,803*	3.00	\$470,674	\$10,497	\$0	\$529,812*

DP 604 - Delinquent Income Tax Receivable Collection - The legislature approved an increase of \$262,203 general fund for the biennium to add 3.00 FTE and operating costs to collect delinquent income tax receivables. Based on department testimony, the legislature expects that the function would annually collect \$1.2 million of delinquent income taxes owed to the state. The legislature directed that the department provide a report to the 2007 General Government and Transportation Joint Appropriations Subcommittee that identifies the costs and annual collections attained by the function funded with this adjustment.

DP 605 - Child Support Debt Collection Costs - The legislature approved an increase of \$147,460 general fund for the biennium to fund debt collection costs for collecting overpaid child support payments made to custodial parents and delinquent child support payments from non-custodial parents. Funding augments proprietary funds for the collection of these two specific collection functions. Funding is biennial and restricted.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Funds are not appropriated or otherwise made available to the department to support continuation of individual income tax debt collection contracts entered into before July 1, 2005."

Proprietary Program Description

The Customer Services Center provides the collection services function that collects debt associated with delinquent accounts. The collection services function serves all state agencies and is funded through a service charge for collecting on delinquent accounts.

Proprietary Revenues and Expenses

The department charges a 10 percent commission to provide collection services on delinquent accounts. The center collects the largest amount of revenues on delinquent accounts through offsets of individual income tax refunds and through offsets of refunds made by the Department of Fish, Wildlife & Parks after a permit applicant is unsuccessful in drawing a hunting permit. The timing of these two major collection sources necessitates the center maintaining a 9-month working capital balance to fund expenses throughout the year. These funds are used to pay the expenses of the center, including 3.50 FTE. Personal services costs account for approximately 74.0 percent of program costs. The remaining costs are related to rent, computer access and processing, and a percentage of the statewide fixed costs allocated to this function.

Proprietary Rate Explanation

The legislature approved a rate of 10 percent of the amount of delinquent accounts collected by the program as the rate for funding the delinquent account debt collection function. The legislature separately appropriated, in HB 2, funding to collect overpaid child support payments made to custodial parents (debt code 43) and delinquent child support payments from non-custodial parents (debt code 44), and directed the department not to apply the delinquent account collection fee for these two debt codes.

The legislature also approved the following language to accompany the Customer Service Center rates in HB 2:

"The department may not collect the delinquent account collection fee for debt codes 43 (collection of overpaid child support payments made to custodial parents) or 44 (collection of delinquent child support payments from noncustodial parents)."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	102.78	(1.30)	8.00	109.48	(1.35)	8.00	109.43	109.43
Personal Services	4,491,320	(41,697)	961,488	5,411,111	(24,270)	369,839	4,836,889	10,248,000
Operating Expenses	981,685	8,347	301,601	1,291,633	9,086	0	990,771	2,282,404
Equipment	13,000	0	0	13,000	0	0	13,000	26,000
Total Costs	\$5,486,005	(\$33,350)	\$1,263,089	\$6,715,744	(\$15,184)	\$369,839	\$5,840,660	\$12,556,404
General Fund	4,091,878	1,005,076	1,258,729	6,355,683	1,014,846	358,249	5,464,973	11,820,656
State/Other Special	142,805	7,675	0	150,480	12,190	0	154,995	305,475
Federal Special	1,251,322	(1,046,101)	4,360	209,581	(1,042,220)	11,590	220,692	430,273
Total Funds	\$5,486,005	(\$33,350)	\$1,263,089	\$6,715,744	(\$15,184)	\$369,839	\$5,840,660	\$12,556,404

Program Description

Business and Income Taxes Division oversees audits and measures to verify tax-paying entities are complying with tax laws.

Program Highlights

Department of Revenue Business and Income Tax Division Major Budget Highlights	
♦	General fund budget increases \$3.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Statewide present law adjustments (\$2.0 million) • Addition of 8.00 FTE tax compliance staff (\$1.12 million) • State employee pay plan adjustments (\$497,000) • Replacement of federal funds due to transferring the Unemployment Insurance tax collection function to the Department of Labor and Industry (\$135,000)
♦	Statewide FTE reductions eliminate 1.35 FTE by the end of the biennium and reduce general fund by \$97,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Business And Income Taxe					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 4,091,878	74.6%	\$ 6,355,683	94.6%	\$ 5,464,973	93.6%
	01100 General Fund	4,091,878	74.6%	6,355,683	94.6%	5,464,973	93.6%
02000	Total State Special Funds	142,805	2.6%	150,480	2.2%	154,995	2.7%
	02110 Accommodation Tax Admin	109,804	2.0%	116,490	1.7%	119,985	2.1%
	02432 Oil & Gas Era	33,001	0.6%	33,990	0.5%	35,010	0.6%
03000	Total Federal Special Funds	1,251,322	22.8%	209,581	3.1%	220,692	3.8%
	03928 Royalty Audit - Nrct	177,380	3.2%	209,581	3.1%	220,692	3.8%
	03954 Ui Administrative Grants	1,073,942	19.6%	-	-	-	-
Grand Total		\$ 5,486,005	100.0%	\$ 6,715,744	100.0%	\$ 5,840,660	100.0%

The Business and Income Taxes Division is funded with general fund, state special revenue, and federal special revenue. State special revenue is for administrative costs for administering functions associated with accommodations taxes and oil and gas taxes. With the transfer of the unemployment insurance collections function to the Department of Labor and Industry (DOLI), the federal unemployment insurance funds expended in the 2005 biennium will no longer be available for program funding in the 2007 biennium. The remaining federal special revenue funding comes from reimbursements for performing mineral royalty audits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				193,649					213,162
Vacancy Savings				(187,392)					(188,181)
Inflation/Deflation				(12,397)					(12,280)
Fixed Costs				172,615					173,237
Total Statewide Present Law Adjustments				\$166,475					\$185,938
DP 701 - Replacement of Federal Funds - UI Transfer	0.00	67,528	0	(249,919)	0.00	67,528	0	(249,919)	(182,391)
DP 702 - Funding Federal Royalty Costs at FY 2004 Level	0.00	0	0	30,520	0.00	0	0	30,520	30,520
DP 703 - Statewide FTE Reduction	(1.30)	(47,954)	0	0	(1.35)	(49,251)	0	0	(49,251)
Total Other Present Law Adjustments	(1.30)	\$19,574	\$0	(\$219,399)	(1.35)	\$18,277	\$0	(\$219,399)	(\$201,122)
Grand Total All Present Law Adjustments				(\$33,350)					(\$15,184)

DP 701 - Replacement of Federal Funds - UI Transfer - The legislature approved a funding switch to reduce federal special revenue by \$499,838 for the biennium and increase general fund by \$135,056 due to the transfer of the unemployment insurance collections function to the Department of Labor and Industry and the associated loss of federal funds previously used to fund a portion of department administrative costs. The net impact from this adjustment is a \$364,782 total fund reduction for the biennium.

DP 702 - Funding Federal Royalty Costs at FY 2004 Level - The legislature approved an increase of \$61,040 federal special revenue for the biennium for operating costs associated with the Federal Royalty Audit Program.

DP 703 - Statewide FTE Reduction - The legislature approved a reduction of \$97,205 general fund for the biennium to permanently eliminate 1.35 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that will likely be eliminated for this reduction are tax examiners.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 111 - Tax Compliance Staff										
07	8.00	1,120,000	0	0	1,120,000	8.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
07	0.00	138,729	0	4,360	143,089	0.00	358,249	0	11,590	369,839
Total	8.00	\$1,258,729	\$0	\$4,360	\$1,263,089*	8.00	\$358,249	\$0	\$11,590	\$369,839*

DP 111 - Tax Compliance Staff - The legislature approved an increase of \$1.12 million general fund for the biennium to fund personal services and operating costs to add 8.00 FTE for compliance activities in areas where other states have found significant non-compliance with personal income tax and corporate license tax. The legislature approved the funding as restricted and biennial.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Funding in Tax Compliance Staff may be used only for personal services and operating costs for additional tax audit staff, including support and legal staff."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	301.00	(3.15)	1.00	298.85	(3.15)	4.50	302.35	302.35
Personal Services	11,641,343	(335,367)	397,647	11,703,623	(330,177)	1,094,601	12,405,767	24,109,390
Operating Expenses	3,508,757	457,914	2,884,097	6,850,768	561,396	3,045,021	7,115,174	13,965,942
Equipment	15	0	0	15	0	0	15	30
Debt Service	2,452	0	0	2,452	0	0	2,452	4,904
Total Costs	\$15,152,567	\$122,547	\$3,281,744	\$18,556,858	\$231,219	\$4,139,622	\$19,523,408	\$38,080,266
General Fund	15,105,755	119,359	3,281,744	18,506,858	228,031	4,139,622	19,473,408	37,980,266
State/Other Special	46,812	3,188	0	50,000	3,188	0	50,000	100,000
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$15,152,567	\$122,547	\$3,281,744	\$18,556,858	\$231,219	\$4,139,622	\$19,523,408	\$38,080,266

Program Description

Property Assessment Division is responsible for the valuation and assessment of real and personal property throughout the state for property tax purposes. The division is comprised of a central office located in Helena and six regions. There is a local Department of Revenue office located in each of the county seats within the regional areas.

Program Highlights

Department of Revenue Property Assessment Division Major Budget Highlights	
♦	General fund budget increases \$7.8 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> One-time funding to develop a new property tax system (\$5.5 million) State employee pay plan adjustments (\$1.3 million) Field office rent increases (\$771,000) One-time funding for an agriculture/forest land reappraisal program and 4.50 FTE (\$571,000)
♦	Statewide FTE reductions eliminate 3.15 FTE by the end of the biennium and reduce general fund by \$288,000

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Property Assessment Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 15,105,755	99.7%	\$ 18,506,858	99.7%	\$ 19,473,408	99.7%
	01100 General Fund	15,105,755	99.7%	18,506,858	99.7%	19,473,408	99.7%
02000	Total State Special Funds	46,812	0.3%	50,000	0.3%	50,000	0.3%
	02320 Property Value. Improv. Fund	46,812	0.3%	50,000	0.3%	50,000	0.3%
Grand Total		\$ 15,152,567	100.0%	\$ 18,556,858	100.0%	\$ 19,523,408	100.0%

Funding for the Property Assessment Division is from general fund and state special revenue. State special revenue is from the property valuation improvement fund and is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Revenue deposited to the fund is from a fee received as reimbursement for the cost of developing and maintaining the property valuation and assessment system database. The fee is charged to persons, federal agencies, state agencies, and other entities requesting the database or any part of the database from any department property valuation and assessment system. The fee may not be charged to the Office of Budget and Program Planning, the State Tax Appeal Board, or any legislative agency or committee.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					285,698					290,730
Vacancy Savings					(477,061)					(477,289)
Inflation/Deflation					(60,246)					(58,599)
Fixed Costs					53,424					51,654
Total Statewide Present Law Adjustments					(\$198,185)	(\$193,504)				
DP 801 - Field Office Rent	0.00	374,358	0	0	374,358	0.00	396,261	0	0	396,261
DP 802 - Request for Leased Vehicles	0.00	90,378	0	0	90,378	0.00	172,080	0	0	172,080
DP 803 - Statewide FTE Reduction	(3.15)	(144,004)	0	0	(144,004)	(3.15)	(143,618)	0	0	(143,618)
Total Other Present Law Adjustments										
	(3.15)	\$320,732	\$0	\$0	\$320,732	(3.15)	\$424,723	\$0	\$0	\$424,723
Grand Total All Present Law Adjustments					\$122,547	\$231,219				

DP 801 - Field Office Rent - The legislature approved an increase of \$770,619 general fund for the biennium to fund increases to rent payments for office space occupied by department personnel outside of Helena in county buildings and private office buildings.

DP 802 - Request for Leased Vehicles - The legislature approved an increase of \$262,458 general fund for the biennium to replace department owned vehicles with State Motor Pool leased vehicles. The department would replace 25 vehicles in FY 2006 and 24 vehicles in FY 2007. After this adjustment, the department would lease all but 11 department-owned vehicles in a fleet of 155 vehicles from the State Motor Pool.

DP 803 - Statewide FTE Reduction - The legislature approved a reduction of \$287,622 general fund for the biennium to permanently eliminate 3.15 FTE from the program. The reduction continues the additional 1.6 percent vacancy savings on general fund positions imposed on the department by the 2003 Legislature as a budget balancing measure. The positions that will likely be eliminated for this reduction are for property valuation specialists that perform personal property audits.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 804 - Property Tax Computer System										
08	0.00	2,750,000	0	0	2,750,000	0.00	2,750,000	0	0	2,750,000
DP 805 - Agricultural/Forest Land Reappraisal Program -OTO										
08	1.00	147,502	0	0	147,502	4.50	423,161	0	0	423,161
DP 806 - Printing and Mail Costs - SB 48										
08	0.00	18,720	0	0	18,720	0.00	18,720	0	0	18,720
DP 6010 - 2007 Biennium Pay Plan - HB 447										
08	0.00	365,522	0	0	365,522	0.00	947,741	0	0	947,741
Total	1.00	\$3,281,744	\$0	\$0	\$3,281,744*	4.50	\$4,139,622	\$0	\$0	\$4,139,622*

DP 804 - Property Tax Computer System - The legislature approved an increase of \$5.5 million general fund for the biennium to develop and implement a new property tax computer system that would interface with IRIS. The legislature designated funding as biennial, one-time-only, and restricted for developing and implementing a new property tax computer system.

DP 805 - Agricultural/Forest Land Reappraisal Program -OTO - The legislature approved a general fund increase of \$570,663 over the biennium to add 1.00 FTE in FY 2006 and 4.50 FTE in FY 2007 and operating costs for an agricultural/forest land reappraisal program. The legislature designated funding as one-time-only.

DP 806 - Printing and Mail Costs - SB 48 - The legislature approved an increase of \$37,440 general fund for the biennium for form printing and mailing to address the fiscal impacts of SB 48, which eliminates the class 8 property trigger and increases the class 8 threshold.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	143.07	1.65	4.75	149.47	1.65	5.00	149.72	149.72
Personal Services	6,703,827	787,556	479,070	7,970,453	879,567	845,546	8,428,940	16,399,393
Operating Expenses	7,995,905	298,112	4,186,288	12,480,305	270,334	678,500	8,944,739	21,425,044
Equipment	245,179	7,000	150,000	402,179	0	150,000	395,179	797,358
Local Assistance	28,637	0	0	28,637	0	0	28,637	57,274
Grants	0	0	810,000	810,000	0	810,000	810,000	1,620,000
Transfers	500,000	0	0	500,000	0	0	500,000	1,000,000
Debt Service	1,167,367	(1,135,317)	0	32,050	(1,135,317)	0	32,050	64,100
Total Costs	\$16,640,915	(\$42,649)	\$5,625,358	\$22,223,624	\$14,584	\$2,484,046	\$19,139,545	\$41,363,169
General Fund	3,362,558	197,742	3,884,987	7,445,287	178,613	519,900	4,061,071	11,506,358
State/Other Special	3,312,150	682,211	1,192,504	5,186,865	764,775	1,336,691	5,413,616	10,600,481
Federal Special	1,049,961	(7,810)	504,210	1,546,361	(8,814)	513,809	1,554,956	3,101,317
Capital Projects	511,542	(11,542)	0	500,000	(11,542)	0	500,000	1,000,000
Proprietary	8,404,704	(903,250)	43,657	7,545,111	(908,448)	113,646	7,609,902	15,155,013
Total Funds	\$16,640,915	(\$42,649)	\$5,625,358	\$22,223,624	\$14,584	\$2,484,046	\$19,139,545	\$41,363,169

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- Accounting and financial reporting
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- State bonded indebtedness administration
- State treasury services
- Capitol complex building maintenance and security
- State financial institution oversight and regulation
- Montana State Lottery
- Insurance coverage and Tort Claims Act administration
- Information systems development, telecommunications, data processing, and strategic planning
- Personnel management and labor relations
- Purchasing and surplus property administration
- Duplicating, mail, and messenger services

The department also administers the state Long-Range Building Program and state employee group benefits program. The Board of Examiners, the State Tax Appeal Board, the Appellate Defender, the Public Employees' Retirement Board, the Teachers' Retirement Board, and the Montana Consensus Council are attached to the department for administrative purposes only.

Agency Highlights

Department of Administration**Major Budget Highlights**

- ◆ Total fund budget increases \$8.1 million for the biennium over the base
- ◆ Significant budget increases for general fund are for:
 - Emergency telecommunications infrastructure (\$3.5 million)
 - Public safety communications program funding switch from federal special revenue and program increases (\$600,000)
 - Statewide present law adjustments (\$498,000)
- ◆ Significant budget increases for state special revenue are for:
 - Montana Land Information Act (\$2.1 million)
 - Statewide present law adjustments (\$637,000)
 - Compensatory based pay plan for bank examiners (\$469,000)
 - 3.25 FTE bank examiners and administrative support (\$449,000)
- ◆ Significant budget increases for federal special revenue are for:
 - Montana Spatial Data Infrastructure (\$1.4 million)
- ◆ Personal services will increase by 6.65 FTE in HB 2 positions for:
 - Bank examiners in the Banking and Financial Division
 - Administrative support for Banking and Financial Division licensing support
 - Public safety communications program computer analysts
 - Computer information system manager and programmer

Summary of Legislative Action

The legislative budget for total funds is an increase of \$8.1 million more for the biennium over the base of \$16.6 million, with a corresponding general fund increase of \$4.8 million. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$803,000 of the total fund increase and \$312,000 of the general fund budget for the biennium. Other significant items in the legislative budget are:

- Emergency telecommunications infrastructure to fund the Northern Tier Interoperability Project (NTIP) for \$3.5 million general fund
- Montana Land Information Act increased state special revenue by \$2.1 million to develop a standardized, sustainable method to collect, maintain, and distribute digital information about natural and man-made Montana land characteristics by replacing proprietary funds with state special revenue derived from an increase in land transaction recording fees
- Montana Spatial Data Infrastructure increased federal special revenue by \$1.4 million to fund continued development of a geographic information system database containing 12 data layers
- Statewide present law adjustments increased total funds by \$1.0 million
- Compensatory based pay plan for bank examiners and additional bank examiners and administrative support for the Banking and Financials Division increased state special revenue by \$918,000
- A funding switch and program increase for the public safety communications program in which \$417,000 federal funds were replaced with general fund and \$183,000 general fund was added to increase the program and add 2.00 FTE

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget							
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Capital Projects	Grand Total	Total %
03 Admin Financial Serv Division	\$ 2,558,242	\$ 6,996	\$ 128,362	\$ 89,931	\$ -	\$ 2,783,531	6.73%
04 Architecture & Engineering Pgm	-	2,603,831	-	-	-	2,603,831	6.30%
06 General Services Program	1,260,712	-	-	-	1,000,000	2,260,712	5.47%
07 Information Tech Serv Division	4,420,076	2,113,071	2,972,955	-	-	9,506,102	22.98%
14 Banking And Financial Division	-	5,812,101	-	-	-	5,812,101	14.05%
15 Montana State Lottery	-	-	-	15,065,082	-	15,065,082	36.42%
23 State Personnel Division	2,575,815	64,482	-	-	-	2,640,297	6.38%
37 State Tax Appeal Board	691,513	-	-	-	-	691,513	1.67%
Grand Total	<u>\$ 11,506,358</u>	<u>\$10,600,481</u>	<u>\$ 3,101,317</u>	<u>\$15,155,013</u>	<u>\$ 1,000,000</u>	<u>\$41,363,169.00</u>	<u>100.00%</u>

Other Legislation

Senate Bill 98 – SB 98 creates the Montana Land Information Act to develop a standardized, sustainable method to collect, maintain, and disseminate information in digital formats about the natural and artificial land characteristics of Montana. SB 98 increases the fee for recording land transactions with the county clerks and recorders. Revenues derived from the increased fees are deposited in a state special revenue account for fulfilling the new duties imparted on the department by SB 98 and for providing grants to state agencies, local governments, and Indian tribal governments. SB 98 has become law and its fiscal impacts are funded in HB 2. For more information, see the narrative for DP 719 in the Information Technology Services Division.

Senate Bill 146 – SB 146 establishes a statewide public defender system. When developing the system SB 146 moves the Appellate Defender, an agency administratively attached to the department, to a separate program of the new agency, the Office of State Public Defender. SB 146 designates the Office of State Public Defender as an agency attached to the department for administrative purposes, but provides flexibility and funding for the office to perform many of the functions that are currently provided for the Appellate Defender. SB 146 doesn't move the Appellate Defender until FY 2007 and also provides the flexibility to the office to determine which administrative services are most cost effective to provide within or use the services of the Department of Administration. Authority was approved in HB 2 to allow the department to charge fees to the Office of State Public Defender for administrative services. SB 146 has become law.

Senate Bill 274 – SB 274 revokes an exemption from licensing requirements for mortgage bankers acting as mortgage brokers. Funding was added to HB 2 to add FTE to address the workload impacts of SB 274. For further information, see DP 1405 in the Banking and Financials Division. SB 274 has become law.

House Bill 102 – HB 102 establishes a statutory appropriation for the annual general fund contribution to the highway patrol officers' retirement pension trust fund. The transfer was in the executive budget as a language appropriation. There is no net fiscal change from the executive budget, only a change in the source of appropriation authority from HB 2 to statute. HB 102 has become law.

House Bill 109 – HB 109 transfers responsibility for capitol complex grounds maintenance from the Department of Fish, Wildlife, and Parks to the department. In addition to transferring the responsibility for the function, as well as assets and staff in HB 109, the legislature authorized, in HB 2, the General Services Program of the Department of Administration to charge a fee to capitol complex tenant organizations for the service. HB 109 has become law.

House Bill 425 – HB 425 transfers the consumer protection functions from the department to the Department of Justice. In addition to transferring the responsibility for the function, as well as assets and staff in HB 425, the legislature authorized the movement of historical and budget data for the 2005 biennium and budget data for the 2007 to be moved within the state budgeting system to the Department of Justice as if the program existed in the Department of Justice since

the base year. As such, the budget tables for the Administrative Financial Services Division do not reflect the program. Additional \$5,500 total funds were provided in HB 2 to offset the fiscal impacts from the reorganization on the allocation of fixed indirect costs of the department. HB 425 has become law.

House Bill 745 – HB 745 appropriates \$2.1 million general fund as a supplemental appropriation for FY 2005 to make payments to the contractor developing the Process Oriented Integrated Tax System (POINTS) for the Department of Revenue for existing work to complete the phase of the project funded by SB 271 of the 2003 Legislature. HB 745 has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	143.07	157.72	149.47	(8.25)	157.72	149.72	(8.00)	
Personal Services	6,703,827	7,922,312	7,970,453	48,141	7,921,616	8,428,940	507,324	555,465
Operating Expenses	7,995,905	13,946,573	12,480,305	(1,466,268)	9,084,716	8,944,739	(139,977)	(1,606,245)
Equipment	245,179	402,179	402,179	0	395,179	395,179	0	0
Local Assistance	28,637	28,637	28,637	0	28,637	28,637	0	0
Grants	0	1,160,000	810,000	(350,000)	1,160,000	810,000	(350,000)	(700,000)
Transfers	500,000	500,000	500,000	0	500,000	500,000	0	0
Debt Service	1,167,367	32,050	32,050	0	32,050	32,050	0	0
Total Costs	\$16,640,915	\$23,991,751	\$22,223,624	(\$1,768,127)	\$19,122,198	\$19,139,545	\$17,347	(\$1,750,780)
General Fund	3,362,558	8,014,829	7,445,287	(569,542)	3,893,164	4,061,071	167,907	(401,635)
State/Other Special	3,312,150	5,714,947	5,186,865	(528,082)	5,692,831	5,413,616	(279,215)	(807,297)
Federal Special	1,049,961	1,540,521	1,546,361	5,840	1,539,947	1,554,956	15,009	20,849
Capital Projects	511,542	500,000	500,000	0	500,000	500,000	0	0
Proprietary	8,404,704	8,221,454	7,545,111	(676,343)	7,496,256	7,609,902	113,646	(562,697)
Total Funds	\$16,640,915	\$23,991,751	\$22,223,624	(\$1,768,127)	\$19,122,198	\$19,139,545	\$17,347	(\$1,750,780)

The legislative budget is \$1.7 million in total funds lower than the executive budget for the 2007 biennium. The differences between the legislative and executive budgets are due primarily to the following factors. The legislature:

- o Funded the pay plan (\$803,000)
- o Approved funding at a lower level than the executive budget for a request to switch funding from proprietary to state special revenue for 2.00 FTE to coordinate geographic information systems in the state (\$702,000)
- o Reduced a request for a portion of the funding for the Northern Tier Interoperability Project (\$600,000)
- o Did not approve funding to replace components of the on-line gaming system for the Montana State Lottery (\$600,000)
- o Approved an agency request for a compensatory-based pay plan for bank examiners that was not included in the executive budget (\$469,000)
- o Moved the Consumer Protection Office and funding fiscal impacts on the department indirect costs (\$173,000)
- o Did not approve funding to purchase signs that identify retail establishments that sell lottery products (\$120,000)
- o Provided funding for the workload impacts of SB 274 (\$114,500)
- o Did not approve the addition of 1.00 FTE contracts officer for the State Procurement Bureau (\$111,000)
- o Did not fund replacement of Banking and Financial Division computers because the base provides adequate funding (\$11,000)

Reorganizations

Several bills were passed and approved in the 2005 Legislature that moved functions between various agencies and involved the department. The Consumer Protection Office, including funding and FTE, was moved to the Department of Justice and the capital grounds maintenance function was moved from the Department of Fish, Wildlife, and Parks to the department.

HB 425 moved the Consumer Protection Office, previously in the Administrative Financial Services Division, to the Department of Justice. Funding and expenditures for the 2005 biennium and funding for the 2007 biennium were moved to a new program in the Department of Justice so narrative tables appear as if the program has existed in the Department of Justice since FY 2004. This movement will be most evident when comparing the Legislative Budget Analysis 2007 Biennium with the Legislative Fiscal Report 2007 Biennium.

HB 109 moved Capital Complex Grounds Maintenance from the Parks Division of the Department of Fish, Wildlife, and Parks to the General Services Division of the department. The function is funded with internal service proprietary funds so the rates appear along with the building maintenance rates in the Facilities Management proprietary program.

Language

The legislature approved the following language for inclusion in HB2:

"There is appropriated from the general fund to the department the amount required to be refunded to the federal government for its participation in the workers' compensation old fund transfer to the general fund, not to exceed \$300,000 in fiscal year 2006. Funding is contingent upon the department validating a need for the refund following negotiations with the federal government."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.34	0.00	0.00	20.34	0.00	0.00	20.34	20.34
Personal Services	962,054	67,231	29,772	1,059,057	67,715	76,472	1,106,241	2,165,298
Operating Expenses	274,677	22,151	(636)	296,192	3,731	(633)	277,775	573,967
Local Assistance	22,133	0	0	22,133	0	0	22,133	44,266
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,258,864	\$89,382	\$29,136	\$1,377,382	\$71,446	\$75,839	\$1,406,149	\$2,783,531
General Fund	1,153,245	82,953	28,533	1,264,731	65,030	75,236	1,293,511	2,558,242
State/Other Special	2,989	0	509	3,498	0	509	3,498	6,996
Federal Special	58,675	5,387	94	64,156	5,437	94	64,206	128,362
Proprietary	43,955	1,042	0	44,997	979	0	44,934	89,931
Total Funds	\$1,258,864	\$89,382	\$29,136	\$1,377,382	\$71,446	\$75,839	\$1,406,149	\$2,783,531

Program Description

The Administrative Financial Services Division consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached programs. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau provides financial, budgeting, accounting, personnel, and payroll functions for the department. The Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel and defines, reviews and enforces auditing requirements for Montana's local governments.

Program Highlights

Department of Administration Administrative Financial Services Division Major Budget Highlights	
♦	Total fund budget increases \$273,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments
♦	The Consumer Protection Office was moved from the department to the Department of Justice

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Admin Financial Serv Div					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,153,245	91.6%	\$ 1,264,731	91.8%	\$ 1,293,511	92.0%
	01100 General Fund	1,153,245	91.6%	1,264,731	91.8%	1,293,511	92.0%
02000	Total State Special Funds	2,989	0.2%	3,498	0.3%	3,498	0.2%
	02317 Financial Advisor Fees	2,989	0.2%	3,498	0.3%	3,498	0.2%
03000	Total Federal Special Funds	58,675	4.7%	64,156	4.7%	64,206	4.6%
	03320 Cmia Funds	35,613	2.8%	41,094	3.0%	41,144	2.9%
	03369 Flood Control Payments	22,133	1.8%	22,133	1.6%	22,133	1.6%
	03978 Federal Portion Of State Divid	929	0.1%	929	0.1%	929	0.1%
06000	Total Proprietary Funds	43,955	3.5%	44,997	3.3%	44,934	3.2%
	06527 Investment Division	43,955	3.5%	44,997	3.3%	44,934	3.2%
Grand Total		<u>\$ 1,258,864</u>	<u>100.0%</u>	<u>\$ 1,377,382</u>	<u>100.0%</u>	<u>\$ 1,406,149</u>	<u>100.0%</u>

The Administrative Financial Services Division is funded with general fund, state and federal special revenues, and proprietary funds. General fund provides funding for the statewide accounting standards, treasury, and accounting assistance for local governments, and for agency management in support of other programs of the agency funded with general fund. State special revenue provides funding for financial advisor fees. Federal special revenue provides funding for activities associated with the federal Cash Management Improvement Act funds, flood control payments, and the federal portion of State Fund dividends. The division is also funded with a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board.

Most operations of the division are funded with non-budgeted proprietary funds, which are discussed in the "Proprietary Rates" section of the narrative.

Program Reorganization

The legislature moved the Consumer Protection Office from the department to the Department of Justice via passage and approval of HB 425. Historical expenditures and budget information for the 2005 biennium and budgets for the 2007 biennium are not reflected in the budget tables for the department, but are reflected in the Department of Justice.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				110,117					110,620
Vacancy Savings				(42,886)					(42,905)
Inflation/Deflation				(1,029)					(1,007)
Fixed Costs				23,180					4,738
Total Statewide Present Law Adjustments				\$89,382					\$71,446
Grand Total All Present Law Adjustments				\$89,382					\$71,446

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 303 - Indirect Cost Impacts - HB 425										
03	0.00	(1,239)	509	942	(636)	0.00	(1,236)	509	94	(633)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	29,772	0	0	29,772	0.00	76,472	0	0	76,472
Total	0.00	\$28,533	\$509	\$94	\$29,136*	0.00	\$75,236	\$509	\$94	\$75,839*

DP 303 - Indirect Cost Impacts - HB 425 - The legislature passed HB 425 to move the consumer protection function from the department to the Department of Justice. In doing so, the legislature approved moving the 2005 and 2007 biennia budget information for the Consumer Protection Office to the Department of Justice and funding increases of \$3,693 general fund, \$1,018 state special revenue, and \$104 federal special revenue to address impacts on indirect costs of the Department of Administration that resulted from the program move. This adjustment completes the funding adjustments for HB 425 that were made primarily through movement of financial information in tables of the state budgeting system.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Legal Services Unit (Fund 06504)

Proprietary Program Description

The Legal Unit of the Director's Office advises all divisions within the department and those administratively attached to the department on legal matters. An alternative to this program would be contracting for legal assistance or hiring an attorney within the divisions serviced by the unit. The unit receives funding from the general fund and through the legal services internal service fund. Only the portion of the unit funded by the internal service fund is discussed below.

Proprietary Revenues and Expenses

The general fund portion supporting 0.17 FTE is shown on the main budget tables and discussed in the HB 2 portion of the division narrative. The program funds 2.08 FTE with proprietary funds. The Legal Services Unit receives revenues via an allocation of anticipated expenses of the unit to divisions of the department and administratively attached agencies and boards. The allocation is based on a time study of work performed. In FY 2004, revenues of about \$149,000 were received from the following funding sources in the percentages and approximate amounts shown:

- State special revenue (28percent), \$42,000
- Proprietary funds (57 percent), \$87,000
- Trust funds (15 percent), \$20,000

In FY 2004, revenues funded personal services for 2.08 FTE and operating costs. Personal services of approximately \$118,500 comprised 86 percent of expenses, with operating expenses making up the remaining \$19,500 or 14.0 percent of unit expenses.

Proprietary Rate Explanation

The financial objective of the Legal Services Unit is to operate on a break-even basis. The unit charges other non-general funded divisions in the department and administratively attached agencies a percentage of its operations budget based on a time-use study.

The legislature approved rates based on total allocation of costs of the Legal Services Unit. For the 2007 biennium, the legislature approved allocating costs up to \$182,525 in FY 2006 and up to \$182,525 in FY 2007 as the rates for the unit.

Warrant Writer Program (Fund 06564)

Proprietary Program Description

The department provides the services of the Warrant Writer Program to state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants, and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. Because the service is mandated in statute, no alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

Proprietary Revenues and Expenses

In FY 2004, the Warrant Writer Program had revenues of roughly \$845,913 from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (31.5 percent), \$266,000
- State special revenue (16.8 percent), \$142,000
- Federal special revenue (23.0 percent), \$195,000
- Proprietary funds (19.4 percent), \$164,000
- All other funds (9.3 percent), \$79,000

In FY 2004, revenues funded personal services for 6.33 FTE and operating costs. Personal services of roughly \$182,000 accounted for about 20 percent of expenses, with operating costs making up the majority of costs at roughly \$710,000 or nearly 80 percent of unit expenses. Major operating costs are for postage and mailing (\$442,700 or 50 percent of program costs), and warrant printing, warrant stock, and bank service fees (combined are \$179,000 or 20 percent of costs).

Proprietary Rate Explanation

Figure 1 shows the rates the legislature approved for the Warrant Writer Program.

Management Services Unit (Funds 06534 and 06570)

Proprietary Program Description

The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the legislature, processes budget change documents on approved budgets through OBPP, monitors approved budgets for compliance with state law and legislative intent, processes payroll, and provides new employee orientation for all divisions within the department, including attached-to agencies, assists with staff recruitment and selection, classifies positions, and develops personnel policies and procedures. This unit also provides accounting assistance to the non-general funded divisions within the department. The director's office is funded through the unit. An alternative to this unit would be to hire budgeting, accounting, and human resource staff within each program in the department.

The unit now consists of the combined Management Services Unit and the Human Resources Unit, which were reviewed separately by 2003 Legislature.

Proprietary Revenues and Expenses

In FY 2004, the unit had revenues of roughly \$626,537 from fees paid by the divisions served. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

Figure 1 Warrant Writer Rates		
	Approved FY 06	Approved FY 07
Mailer	\$0.583310	\$0.580890
Non-Mailer	\$0.181590	\$0.179170
Emergency	\$4.702280	\$4.701700
Duplicates	\$6.039980	\$6.039390
Externals	\$0.155750	\$0.153330
Direct Deposit	\$0.155780	\$0.155100

- General fund (9.6 percent), \$60,400
- State special revenue (11.9 percent), \$74,300
- Federal special revenue (0.7 percent), \$4,300
- Proprietary funds (75.4 percent), \$472,100
- Trust funds (2.4 percent), \$15,300

Expenses consist of personal services and operating expenses. In FY 2004 personal services of \$486,845 accounted for 84 percent of total expenses and funded 9.75 FTE. Major operating expenses that account for more than 1.0 percent of total expenses are rent for state-owned buildings at \$27,500 or 4.8 percent; indirect and administrative costs to other proprietary funded programs of the agency at \$15,000 or 2.6 percent; and data network service charges paid to the Information Technology Services Division of the agency at about \$9,600 or 1.7 percent.

Proprietary Rate Explanation

The legislature approved rates based on total allocation of costs of the Management Services Unit. For the 2007 biennium the legislature approved allocating costs up to \$537,492 in FY 2006 and up to \$537,492 in FY 2007 as the rates for the portion of the unit not for human resources. For the portion of the unit that provides human resource services, the legislature approved rates to be charged based on the FTE of the served programs. The legislature approved rates of \$476 per FTE in FY 2006 and \$475 per FTE in FY 2007.

The legislature also approved the following language to accompany the rates for the program:

"The department may charge the office of public defender up to \$55,000 in general fund money in fiscal year 2006 and \$25,000 in general fund money in fiscal year 2007 for human resources and payroll costs associated with the office."

Audit Review Program (Fund 06042)

Proprietary Program Description

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act (MSAA), which specifies the audit requirements for all Montana local governments entities (2-7-5, MCA).

Proprietary Revenues and Expenses

The program incurs operating expenses for personal services and operating costs. In FY 2004 personal services were nearly \$200,000 or 67.3 percent of total operating costs. Operating expenses of nearly \$97,000 made up the remaining 32.7 percent of total expenses. The fee revenues support a staff of 4.00 FTE.

Proprietary Rate Explanation

The Audit Review Program is funded with two fees: 1) audit report filing fee; and 2) annual auditor roster fee. The program also received reimbursement from audited entities for costs to contract for special audits as requested. It is the intent of the program to maintain fees sufficient to pay program costs at current level staffing. Because the Audit Review Program is funded with an enterprise type proprietary fund, the legislature does not approve the fees for the program. Instead, fees are established in administrative rule.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	860,497	69,406	27,356	957,259	68,141	70,728	999,366	1,956,625
Operating Expenses	301,654	22,588	0	324,242	21,310	0	322,964	647,206
Equipment	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,162,151	\$91,994	\$27,356	\$1,281,501	\$89,451	\$70,728	\$1,322,330	\$2,603,831
State/Other Special	1,150,609	103,536	27,356	1,281,501	100,993	70,728	1,322,330	2,603,831
Capital Projects	11,542	(11,542)	0	0	(11,542)	0	0	0
Total Funds	\$1,162,151	\$91,994	\$27,356	\$1,281,501	\$89,451	\$70,728	\$1,322,330	\$2,603,831

Program Description

The Architecture & Engineering Program manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The program also formulates a long-range building plan for legislative consideration each session.

Program Highlights

Department of Administration Architecture and Engineering Major Budget Highlights	
◆	State special revenue budget increases \$280,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table Architecture & Engineering Pgm							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000	Total State Special Funds	\$ 1,150,609	99.0%	\$ 1,281,501	100.0%	\$ 1,322,330	100.0%
	02030 Arch & Engin Construction	1,150,609	99.0%	1,281,501	100.0%	1,322,330	100.0%
05000	Total Capital Projects Fund	11,542	1.0%	-	-	-	-
	05007 Long Range Building Program	11,542	1.0%	-	-	-	-
Grand Total		\$ 1,162,151	100.0%	\$ 1,281,501	100.0%	\$ 1,322,330	100.0%

The Architecture & Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					108,152					106,835
Vacancy Savings					(38,746)					(38,694)
Inflation/Deflation					(14,125)					(14,075)
Fixed Costs					31,408					30,098
Total Statewide Present Law Adjustments					\$86,689					\$84,164
DP 301 - Indirect Administrative Costs										
	0.00	0	5,305	0	5,305	0.00	0	5,287	0	5,287
Total Other Present Law Adjustments										
	0.00	\$0	\$5,305	\$0	\$5,305	0.00	\$0	\$5,287	\$0	\$5,287
Grand Total All Present Law Adjustments					\$91,994					\$89,451

DP 301 - Indirect Administrative Costs - The legislature approved an increase of \$10,592 state special revenue for the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

New Proposals

New Proposals										
Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
04	0.00	0	27,356	0	27,356	0.00	0	70,728	0	70,728
Total	0.00	\$0	\$27,356	\$0	\$27,356*	0.00	\$0	\$70,728	\$0	\$70,728*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	9.95	(0.10)	0.00	9.85	(0.10)	0.00	9.85	9.85
Personal Services	427,589	30,955	13,267	471,811	30,799	34,118	492,506	964,317
Operating Expenses	107,917	8,492	0	116,409	7,969	0	115,886	232,295
Transfers	500,000	0	0	500,000	0	0	500,000	1,000,000
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$1,067,556	\$39,447	\$13,267	\$1,120,270	\$38,768	\$34,118	\$1,140,442	\$2,260,712
General Fund	567,556	39,447	13,267	620,270	38,768	34,118	640,442	1,260,712
Capital Projects	500,000	0	0	500,000	0	0	500,000	1,000,000
Total Funds	\$1,067,556	\$39,447	\$13,267	\$1,120,270	\$38,768	\$34,118	\$1,140,442	\$2,260,712

Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, capitol grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act.

The Print Services Bureau provides printing services to state agencies by operating a central facility for duplicating and binding, desktop publishing, layout and design, graphic illustration, and forms design. It operates three quick-copy centers, administers the state photocopy pool, and approves the procurement of all printing and printing-related purchases for state agencies.

Mail services for state agencies in the Helena area are provided through a centralized facility that manages incoming, outgoing, and interagency mail. In addition, the bureau operates a full service contract United States post office in the state capitol building. The Property and Supply Bureau manages the Central Stores program and the state and federal surplus property programs. The division also manages the state's vehicle fueling, energy procurement, and procurement card functions.

Program Highlights

Department of Administration General Services Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ Total fund budget increases \$126,000 for the biennium over the base primarily due to statewide present law and pay plan adjustments ◆ The capitol grounds maintenance function was moved to the program from the Department of Fish, Wildlife, and Parks

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table General Services Program					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 567,556	53.2%	\$ 620,270	55.4%	\$ 640,442	56.2%
	01100 General Fund	567,556	53.2%	620,270	55.4%	640,442	56.2%
05000	Total Capital Projects Fund	500,000	46.8%	500,000	44.6%	500,000	43.8%
	05008 Capitol Building Sr	500,000	46.8%	500,000	44.6%	500,000	43.8%
Grand Total		<u>\$ 1,067,556</u>	<u>100.0%</u>	<u>\$ 1,120,270</u>	<u>100.0%</u>	<u>\$ 1,140,442</u>	<u>100.0%</u>

The General Services Division is funded with general fund, capitol land grant trust fund, and proprietary funds. General fund provides funding for the procurement bureau and facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. Capitol land grant trust fund would be used to supplement only the general fund support for common areas.

The following programs are funded with proprietary funds and are not shown on the main budget tables but are discussed in the proprietary rates section for the division:

- Mail services
- Print services
- Property and supply
- Central stores
- Facilities management
- Surplus property
- State fueling network
- State procurement card

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				54,993					54,871
Vacancy Savings				(19,303)					(19,298)
Inflation/Deflation				(66)					(64)
Fixed Costs				7,225					6,700
Total Statewide Present Law Adjustments				\$42,849					\$42,209
DP 301 - Indirect Administrative Costs	0.00	1,333	0	1,333	0.00	1,333	0	0	1,333
DP 608 - Fund Switch	(0.10)	(4,735)	0	(4,735)	(0.10)	(4,774)	0	0	(4,774)
Total Other Present Law Adjustments									
	(0.10)	(\$3,402)	\$0	(\$3,402)	(0.10)	(\$3,441)	\$0	\$0	(\$3,441)
Grand Total All Present Law Adjustments				\$39,447					\$38,768

DP 301 - Indirect Administrative Costs - The legislature approved an increase of \$2,666 general fund for the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 608 - Fund Switch - The legislature approved a reduction of \$9,509 general fund for the biennium to move 0.10 FTE purchasing agent from funding in HB 2 to proprietary funding in the State Procurement Card Program.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
06	0.00	13,267	0	0	13,267	0.00	34,118	0	0	34,118
Total	0.00	\$13,267	\$0	\$0	\$13,267*	0.00	\$34,118	\$0	\$0	\$34,118*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates being requested to finance the programs:

- Facilities management
- Mail services
- Print services
- Surplus property
- Central Stores
- Statewide Fueling Network
- Procurement Card

Facilities Management Bureau (Fund 06528)

Proprietary Program Description

The Facilities Management Bureau maintains and manages state-owned buildings and grounds on the capitol complex. The bureau provides facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and provides statewide leasing assistance to agencies to negotiate co-location of agencies to procure leased space for field offices. Beginning in FY 2006, the bureau maintains the capital complex grounds and removes snow on complex property. The bureau also manages the office waste paper products recycling program in the Helena area. The program serves all agencies and units within state government.

Proprietary Revenues and Expenses

In FY 2004, the Facilities Management Bureau, except for capital complex grounds, had revenues of roughly \$5.9 million from rent payments paid by tenant agencies. Rent payments make up 94.8 percent of revenues for the bureau, revenue collected from construction cost recovery adds about 3.6 percent to revenues, and recycling revenue provides the

remaining 1.6 percent. These rent payments were received from the following funding sources in the percentages and approximate amounts listed:

- o General fund (45.5 percent), \$2,685,000
- o State special revenue (15.8 percent), \$936,000
- o Federal special revenue (17.7 percent), \$1,045,000
- o Proprietary funds (20.4 percent), \$1,203,000
- o All other funds (0.7 percent), \$37,000

In FY 2004, revenues for all but the capital complex grounds maintenance funded personal services for 22.10 FTE and operating costs. Personal services of roughly \$950,000 were 15 percent of expenses. The lion's share of costs was for operating expenses amounting to \$5.3 million or 85 percent of program expenses. Operating expenses are comprised of utilities, repair and maintenance, and contracted services. The program contracts for these functions: insurance, janitorial, mechanical, elevator, pest control, and security services. All contracted costs are expected to increase in the 2007 biennium due to anticipated increases in fire sprinkler inspection costs, new janitorial contracts, and prevailing wage increases applied to the mechanical contract. Increases for electricity and natural gas are factored into rates to recover losses from higher costs experienced during the current biennium that were not included in the rates for the 2005 biennium.

With passage and approval of HB 109, 6.06 FTE will be moved from the Department of Fish, Wildlife, and Parks to provide capital complex grounds maintenance as a component part of the program beginning in FY 2006. In FY 2004 revenues from capital complex grounds maintenance fees were \$323,000 derived from payments made out of the following funds and funded personal services and operating costs:

- o General fund (45.4 percent), \$146,000
- o State special revenue (16.9 percent), \$55,000
- o Federal special revenue (18.9 percent), \$61,000
- o Proprietary funds (17.5 percent), \$57,000
- o All other funds (1.3 percent), \$4,000

Proprietary Rate Explanation

Rent is assessed on a cost per square foot basis to each agency occupying space in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services and operating expenses including maintenance and equipment. Project work completed for agencies by in-house staff or contracted with an outside vendor is on a cost recovery basis.

Figure 2 shows the rates the legislature approved for the Facilities Management Bureau.

Figure 2 Facilities Management Bureau 2007 Biennium Rates		
	Approved FY 2006	Approved FY 2007
Office Rent (per sq. ft.)	\$6.613	\$6.681
Warehouse Rent (per sq. ft.)	3.901	3.969
Capitol Grounds Maintenance (per sq. ft.)	0.3896	0.3896
Project Mgmt (In-house)	15%	15%
Project Mgmt (Contracted)	5%	5%

Print and Mail Services Bureau (Fund 06530)

Proprietary Program Description

The Print and Mail Services Bureau provides printing, mail services, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. The bureau has seven basic components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead mail); and 7) postal contract station with locked mail boxes in the Capitol. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through print services, which determines the most cost effective method of project

completion. Not all requests for printing are completed internally. Nearly 65 percent of printing expenditures are procured through commercial vendors. The Postal Contract Station provides mail services to the public.

Proprietary Revenues and Expenses

The Print and Mail Services Bureau provides all services as presented in the program description. Seven basic service categories provide revenues for the operations of the program in the following percentages:

- Internal printing charges user agencies for graphic design and layout, desktop publishing, reprographics, duplicating, bindery, and quick copy – 13.7 percent of revenue
- External printing procures printing through commercial vendors – 34.5 percent of revenue
- Photocopy pool provides state agencies with photocopiers – 9.0 percent of revenue
- Mail preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting, and bar coding – 3.4 percent of revenues
- Central mail operations, which include mail pick-up and delivery in agency offices, metering of out-going U.S. Mail, United Parcel Services (UPS), and express mail services – 37.4 percent of revenue
- Inter-agency (deadhead) mail provides sorting and delivery of incoming mail and pickup and delivery of deadhead mail – 1.5 percent of revenue
- Postal contract station located at the Capitol provides postal services to the public – 0.5 percent of revenue

In FY 2004, revenues funded personal services for 42.70 FTE, operating costs, and equipment. Personal services of \$1.1 million were roughly 13.3 percent of expenses, with operating costs of \$7.2 million or 84.2 percent, and equipment of \$222,000 or 2.5 percent accounting for the remaining expenses of the bureau.

Major internal printing costs, excluding personal services, are for direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. Historical demand by agencies for printing services has remained fairly consistent with higher demand cycles when the legislature is in session. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provided the greatest amount of uncertainty to forecasting costs for internal printing.

For external printing the major expenses are pass-through costs of commercial print vendors. These costs have historically remained fairly consistent, but vary depending upon complexity and quantity of agency print projects.

Major expenses for the photocopy pool are pass-through photocopy costs, such as payments made to contracted vendors and personnel services.

Overhead costs for administration, accounting, and supplies are allocated to six of Print and Mail Services Bureau service categories based on FTE. The Capitol Post Office contract does not allow reimbursement for overhead costs.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved a rate for interagency mail that set the maximum amount of program costs that can be allocation to user agencies at \$162,180 for each of FY 2006 and FY 2007. The legislature approved a 45-day working capital rate for the remainder of the program.

Central Stores Program (Fund 06531)

Proprietary Program Description

The Central Stores Program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Customers include all agencies and units within state government and participating local governments.

Section 18-4-302(3), MCA, mandates state agencies to use central stores unless the publicly advertised price of an alternate supplier, established catalog price, or discount price offered to the agency is less than the price offered by the

stores program, as long as the office supply conforms in all material respects to the terms, conditions and quality offered by the stores program. Local governments are not mandated to use central stores.

Proprietary Revenues and Expenses

In FY 2004, central stores had revenues of \$4.3 million from purchases by state agencies and local governments. Of these revenues \$2.9 million are recorded on the state accounting system as agency expenditures. The revenues from state sources were received from the following funding sources in the percentages and approximate amounts listed:

- o General fund (39.7 percent), \$1,162,000
- o State special revenue (27.3 percent), \$799,000
- o Federal special revenue (18.0 percent), \$529,000
- o Proprietary funds (13.8 percent), \$404,000
- o All other funds (1.2 percent), \$35,000

Program expenses are for personal services and operating expenses. In FY 2004, the program funded 10.25 FTE with personal services of about \$328,000 that comprised roughly 7 percent of total expenses and operating expenses of \$4,300,000 that accounted for the remaining 93 percent of total expenses. Of total expenses, \$4.2 million or 87 percent was used to purchase goods for resale.

The executive has been exploring the option to privatize the services of the Central Stores Program. Under a privatization concept, the office and janitorial supplies currently purchased through the program would be purchased through a vendor and delivered by the vendor to the purchaser's location. State personnel would consolidate the purchases and monitor the contract.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved two sets of rates shown in Figure 3 for the Central Stores Program:

- o Rates for a privatized concept
- o Rates for providing Central Stores with state resources

The legislature also approved the following language to accompany the rates for the program:

"The department may charge fees identified in Central Stores Program under the direct state service heading if the department operates a state-provided central stores program using state employees and funds to administer, store, and deliver products to state and local government consumers. If the governor directs the department, by executive order, to provide services of the central stores program using a private vendor, the department may charge fees identified in Central Stores Program under the vendor-provided service heading, and revenue derived from central stores program retail markup rates may be used only for personal services and operating expenses directly supporting coordination and contract administration costs for supplies purchased through a contracted vendor for central stores supplies and may not be used for office or warehouse rent or lease costs of facilities not owned by the state of Montana."

Figure 3 Central Stores Rates State-Provided Services		
	Approved FY 2006	Approved FY 2007
Forms	100%	100%
Office Supplies	25%	25%
Computer Paper	25%	25%
Fine Paper	25%	25%
Coarse Paper	25%	25%
Janitorial	25%	25%
Vendor-Provided Services		
Retail Markup	3%	3%

Statewide Fueling Network Program (Fund 06561)

Proprietary Program Description

The Statewide Fueling Network Program provides for fueling of public vehicles through an integrated commercial and public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly

comprehensive fuel management reports that fleet managers can use to track and control fuel costs. Customers include state government agencies and local government entities.

Proprietary Revenues and Expenses

In FY 2004, the Statewide Fueling Network Program had revenues of about \$21,000 from an administration fee charged on fuel purchased through the network based on statewide purchases of gasoline. These revenues were received from the following funding sources in the percentages and amounts listed:

- o General fund (9.3 percent), \$2,000
- o State special revenue (18.8 percent), \$4,000
- o Federal special revenue (3.9 percent), \$800
- o Proprietary funds (67.5 percent), \$14,000
- o All other funds (0.5 percent), \$100

In FY 2004, revenues funded about 0.60 FTE, personal services, and operating costs. Personal services of nearly \$28,100 accounted for 74 percent of total expenses and operating costs of \$9,900 accounted for the remaining 26 percent. Personal services were moved from being funded with general fund to being funded with the statewide fueling network proprietary fund by the 2003 Legislature to eliminate the general fund subsidy for the program. When the subsidy was eliminated, the rates were not adjusted above their previous levels to fund the increased expenses.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved a 0.5 percent markup on gross fuel purchase of program users to fund the operation of the Statewide Fueling Network Program.

*State Procurement Card Program (Fund 06571)***Proprietary Program Description**

The State Procurement Card Program administers the state procurement contract for the automated processing of small purchases.

Proprietary Revenues and Expenses

In FY 2004, program expenses totaled \$26,023 and were comprised of personal services and operating expenses. Personal services of about \$9,400 comprises 36 percent of total program expenses and funds about 0.20 FTE. Major operating expenses are for maintenance costs, computer programming charges, and travel expenses.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved an administrative fee of \$1.00 per card per month as the rate for the State Procurement Card Program.

*Surplus Property Program (Fund 06066)***Proprietary Program Description**

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. The federal surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs provide a mechanism to transfer surplus property between agencies and extend the life of state property. The program provides accountability in the disposal of surplus state property, provides agencies with a service to pick surplus equipment, and provides an in-state screening service to locate federal surplus property for state agencies and local governments.

Proprietary Revenues and Expenses

The state surplus property programs receive revenues by charging a handling fee applied to the proceeds from the sale of state property. The federal surplus property program receives revenue in accordance with a federal plan of operations approved by the federal General Services Administration. In FY 2004 the program had operating revenues from federal surplus handling fees of about \$78,800 and from the state handling fees of \$223,100. This is compared with expenses of about \$331,300. The major expenses associated with the surplus property program are personal services and costs to pick up and warehouse property. In FY 2004 the program had 6.90 FTE, but because of vacancies in 2.50 FTE, only 4.40 FTE were funded through user fees.

Proprietary Rate Explanation

The state surplus property program retains a handling fee for property sold. If property is sold for less than \$200, the program retains the proceeds. The program retains \$200 plus unusual expenses for property sold for \$200-\$2,000, and 10 percent plus unusual expenses for property that is sold for more than \$2,000.

The federal surplus property program fees are an allocation of freight expense and 14 percent of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.

Because the program operates with funding from an enterprise type proprietary fund, the legislature does not approve rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	0.00	4.00	9.00	0.00	4.00	9.00	9.00
Personal Services	321,010	(4,674)	234,359	550,695	(4,601)	258,350	574,759	1,125,454
Operating Expenses	620,277	(14,246)	4,169,000	4,775,031	(16,340)	669,000	1,272,937	6,047,968
Equipment	206,340	0	150,000	356,340	0	150,000	356,340	712,680
Grants	0	0	810,000	810,000	0	810,000	810,000	1,620,000
Total Costs	\$1,147,627	(\$18,920)	\$5,363,359	\$6,492,066	(\$20,941)	\$1,887,350	\$3,014,036	\$9,506,102
General Fund	156,341	(5,723)	3,805,591	3,956,209	(6,690)	314,216	463,867	4,420,076
State/Other Special	0	0	1,053,652	1,053,652	0	1,059,419	1,059,419	2,113,071
Federal Special	991,286	(13,197)	504,116	1,482,205	(14,251)	513,715	1,490,750	2,972,955
Total Funds	\$1,147,627	(\$18,920)	\$5,363,359	\$6,492,066	(\$20,941)	\$1,887,350	\$3,014,036	\$9,506,102

Program Description

Information Technology Services Division (ITSD) is a proprietary program that manages central computing and telecommunications services for state government. ITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies throughout the state. ITSD provides local and long-distance telephone network services used by all agencies, including the university system, and manages the state's video network METNET. ITSD coordinates electronic government services for the state, and manages the states Internet presence at the Internet address discoveringmontana.com. ITSD also manages the Statewide Accounting, Budgeting, and Human Resources Systems (SABHRS) system for the state.

Through the office of the chief information officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves equipment and software acquisitions. The division also provides statewide information technology training, and supports consulting services contracts used by agencies in support of IT systems.

The division also coordinates geographic information systems (GIS) development, manages the state's 911 programs, and coordinates public safety communications issues.

Program Highlights

Department of Administration Information Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Total fund budget increases \$7.2 million for the biennium over the base ◆ General fund increases are due primarily to: <ul style="list-style-type: none"> • Emergency telecommunications infrastructure (\$3.5 million) • Public safety communications program funding switch from federal special revenue and program increases (\$600,000) ◆ State special revenue increases are for implementation of the Montana Land Information Act (\$2.1 million) ◆ Federal special revenue increases are for development of the Montana Spatial Data Infrastructure (\$1.4 million) ◆ Personal services will increase by 4.00 FTE in HB 2 positions by the end of 	

the biennium for:

- 2.00 FTE public safety communications program computer analysts
- 2.00 FTE to move existing computer information system manager and programmer from the proprietary funded portion of the program to HB 2 funding in support of the Montana Land Information Act

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Information Tech Serv Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 156,341	13.6%	\$ 3,956,209	60.9%	\$ 463,867	15.4%
	01100 General Fund	156,341	13.6%	3,956,209	60.9%	463,867	15.4%
02000	Total State Special Funds	-	-	1,053,652	16.2%	1,059,419	35.1%
	02779 Montana Land Information	-	-	1,053,652	16.2%	1,059,419	35.1%
03000	Total Federal Special Funds	991,286	86.4%	1,482,205	22.8%	1,490,750	49.5%
	03428 Gis Federal Funding	69,598	6.1%	772,728	11.9%	772,427	25.6%
	03796 Public Safety Communications	921,688	80.3%	709,477	10.9%	718,323	23.8%
Grand Total		<u>\$ 1,147,627</u>	<u>100.0%</u>	<u>\$ 6,492,066</u>	<u>100.0%</u>	<u>\$ 3,014,036</u>	<u>100.0%</u>

Funding for the division is provided primarily with a proprietary fund that is not shown on the main budget tables, but is discussed in the proprietary rates section that follows the discussion of budget program activity. The HB 2 budgeted portion of the division is funded with general fund and federal special revenue. The division receives general fund to operate the Statewide 911 Emergency Telephone System and for an emergency communications interoperability project in the northern tier counties. Federal special revenue funds Geographic Information System (GIS) coordination work within the division. State special revenue is from a portion of land transaction fees associated with the Montana Land Information Act.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					8,506					8,582
Vacancy Savings					(13,180)					(13,183)
Inflation/Deflation					(268)					(258)
Fixed Costs					(8,742)					(10,846)
Total Statewide Present Law Adjustments					(\$13,684)					(\$15,705)
DP 301 - Indirect Administrative Costs										
	0.00	(828)	0	(4,408)	(5,236)	0.00	(828)	0	(4,408)	(5,236)
Total Other Present Law Adjustments										
	0.00	(\$828)	\$0	(\$4,408)	(\$5,236)	0.00	(\$828)	\$0	(\$4,408)	(\$5,236)
Grand Total All Present Law Adjustments					(\$18,920)					(\$20,941)

DP 301 - Indirect Administrative Costs - The legislature approved reductions of \$1,656 general fund and \$8,816 federal special revenue for the biennium for allocation changes and increases made for indirect cost payments for services received from proprietary funded centralized service functions of the agency.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 718 - MSDI Federal Request										
07	0.00	0	0	707,000	707,000	0.00	0	0	707,000	707,000
DP 719 - Montana Land Information Act										
07	2.00	0	1,050,000	0	1,050,000	2.00	0	1,050,000	0	1,050,000
DP 721 - Public Safety Communications Program - GF										
07	2.00	300,000	0	(208,672)	91,328	2.00	300,000	0	(208,242)	91,758
DP 722 - Emergency Telecommunications Infrastructure - OTO										
07	0.00	3,500,000	0	0	3,500,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
07	0.00	5,591	3,652	5,788	15,031	0.00	14,216	9,419	14,957	38,592
Total	4.00	\$3,805,591	\$1,053,652	\$504,116	\$5,363,359*	4.00	\$314,216	\$1,059,419	\$513,715	\$1,887,350*

DP 718 - MSDI Federal Request - The legislature approved an increase of just over \$1.4 million federal special revenue for the biennium to fund continuing development of the Montana Spatial Data Infrastructure (MSDI).

DP 719 - Montana Land Information Act - The legislature approved an increase of \$2.1 million state special revenue for the biennium to fund personal services, operating costs, and grants associated with the Montana Land Information Act. The adjustment switches personal services funding for existing 2.00 FTE currently funded in the proprietary portion of the program to funding in HB 2 with state special revenue.

DP 721 - Public Safety Communications Program - GF - The legislature approved an increase of \$600,000 general fund and a reduction of \$416,914 federal special revenue for the biennium to shift funding for the public safety communications program. The adjustment results in a net increase of \$183,086 to add 2.00 FTE computer systems analysts.

DP 722 - Emergency Telecommunications Infrastructure - OTO - The legislature approved an increase of \$3.5 million general fund for the biennium to fund the Northern Tier Interoperability Project (NTIP). The legislature designated funding as one-time-only, biennial, and restricted to be used only for the NTIP.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The Information Technology Services Division (ITSD) manages the following information technology (IT) services for state government:

- o Shared statewide desktop and data network services
- o Central mainframe computer processing
- o Mid-tier access and production services
- o Local and long-distance telephone networking
- o IT planning, research, and coordination
- o Design, development, and maintenance support of IT applications

- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging
- Geographic information systems (GIS) coordination
- Disaster recovery facilities for critical data processing applications
- IT training

ITSD also manages the State Accounting, Budgeting and Human Resource System (SABHRS) operational support unit, which is responsible for the operation and maintenance of the state budget development system (MBARS), and the PeopleSoft human resource, financial, and asset management systems.

ITSD services are enterprise and statewide in nature, and therefore agencies are required by state law to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

Funding for the ITSD is primarily from charges to state agencies for mainframe and mid-tier computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate state communication function, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communications vendors.

Proprietary Revenues and Expenses

In FY 2004, ITSD had revenues of about \$32.4 million from fees paid by agencies statewide. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (34.9 percent), \$11.3 million
- State special revenue (26.6 percent), \$8.6 million
- Federal special revenue (26.3 percent), \$8.5 million
- All other funds (12.1 percent), \$4.0 million

In FY 2004, revenues funded personal services for 178.5 FTE and operating costs. Personal services of \$9.3 million were 31 percent of expenses, with operating costs making up an additional \$20.6 million or 69 percent of expenses. As such, personal services are a fixed cost driver for the division operations. Other major service areas of the division have additional cost components that have large impacts on their operating costs. These significant cost drivers are listed below for the major service areas of ITSD:

- Desktop services rate - communications and software costs
- SABHRS administration - contracted services and software expenses
- Mainframe processing - software, supplies, depreciation, and debt service interest
- Telephone equipment and long-distance - communication and maintenance

Desktop services utilization includes data connections to the state network. The division is projecting an approximate 12 percent average increase over the 2007 biennium. Responses from a data connection survey requested from each agency are used to determine the utilization rate used in the rate development. When these projections are not met by the agency, ITSD under-recovers its costs and would either recover more from other service categories or reduce expenditures by reducing services provided for all.

SABHRS utilization is currently not tracked and is based on projected expenses.

Telephone equipment utilization is projected from base year volume. Long-distance utilization is anticipated to decrease by approximately 2.5 percent from projected FY 2005 levels, due primarily to university system students, who no longer participate in this long-distance program and increasingly use cell phones and phone cards.

Variations in expense patterns result from software purchase expenses and equipment depreciation expenses. Software purchase expenses are high in the initial purchase year and then only include fixed maintenance costs for subsequent years. Equipment depreciation expenses vary when decreases of depreciation costs for existing equipment with expiring depreciation cycles differ from depreciation costs on new equipment.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved a 30-day working capital rated for the operation of ITSD, but with the following exceptions:

- The desktop services rate charge to customers may not exceed \$72.60 per connection per month or the amount that was budgeted in an agency budget, whichever is more
- SABHRS costs can be allocated to users only up to \$6,335,169 in each of FY 2006 and FY 2007

Proprietary Significant Present Law

By approving the rates for ITSD, the legislature approved the following significant expenditure adjustments for the 2007 biennium:

- An increase of \$1.2 million for the biennium to fund statewide adjustments impacting the proprietary funded portion of the program. The adjustment would impact all areas of the program and be a factor in all rate changes due primarily to increases for:
 - Personal service adjustment of about \$723,000
 - Statewide indirect costs of \$519,000
 - Rent increases of \$105,000
- An increase of \$82,353 for the biennium to fund increases for indirect cost payments for services received from other proprietary funded centralized service functions of the agency. The adjustment would impact all areas of the program and be a factor in all rate changes
- An increase of \$162,000 for the biennium to fund an upgrade to the state compressed video network, METNET. The upgrade would support security requirements for using Internet infrastructure to transmit video on the network by systems both inside and outside the state firewall for improved video conferencing that would also allow audio conferences to connect with video conferences. Funding would allow the replacement of obsolete communication equipment no longer supported by the manufacturer. This adjustment would impact the video services rate
- An increase of about \$2.4 million for the biennium to fund payments associated with SABHRS data storage costs on the state computer network. This adjustment accounts for 71 percent of the growth of revenues for SABHRS services. SABHRS was included in the midtier cost allocation for the first time. Since SABHRS occupies nearly 67 percent of the storage of the midtier computer system, inclusion of SABHRS in the cost allocation model shifted midtier costs from other system applications to SABHRS. It is this methodology change that causes the SABHRS costs to increase
- An increase of \$100,000 for the biennium to add funding for 2.00 FTE training staff to provide SABHRS training to agency users. This adjustment accounts for 3 percent of the growth of revenues for SABHRS services that are shown on the figure for fund 06522
- A reduction of \$258,169 for the biennium to move funding for 2.00 FTE from proprietary funding to state special revenue funding in HB 2 to support the Montana Land Information Act

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.75	3.25	0.75	35.75	3.25	1.00	36.00	36.00
Personal Services	1,558,544	516,935	93,392	2,168,871	609,633	196,231	2,364,408	4,533,279
Operating Expenses	570,483	59,024	17,595	647,102	51,433	9,804	631,720	1,278,822
Total Costs	\$2,129,027	\$575,959	\$110,987	\$2,815,973	\$661,066	\$206,035	\$2,996,128	\$5,812,101
State/Other Special	2,129,027	575,959	110,987	2,815,973	661,066	206,035	2,996,128	5,812,101
Total Funds	\$2,129,027	\$575,959	\$110,987	\$2,815,973	\$661,066	\$206,035	\$2,996,128	\$5,812,101

Program Description

The Banking and Financial Institutions Division licenses, supervises, regulates, and examines a variety of financial institutions operating in and outside Montana such as:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Title loan companies
- Escrow companies
- Foreign capital depositories in accordance with Title 32, MCA
- Deferred deposit loan companies
- Mortgage brokers and loan originators

The purpose of the supervisory function is to investigate the methods of operation in order to determine whether these institutions are operating in a safe and sound fiscal manner. Supervision of regulated financial business is accomplished through on-site safety and soundness examinations conducted by division examiners. The division also provides a consumer complaint process to resolve matters with the regulated financial institutions.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and foreign capital depository charters; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute or otherwise to the department as the duties and powers relate to banking and to the regulation of foreign capital depositories.

Program Highlights

Department of Administration Banking and Financial Division Major Budget Highlights	
♦	State special revenue budget increases \$1.6 million for the biennium over the base due primarily to: <ul style="list-style-type: none"> • Compensatory based pay plan for bank examiners (\$469,000) • 3.25 FTE bank examiners and administrative support (\$449,000) • Statewide present law adjustments (\$319,000) • Play plan adjustments (\$202,500)
♦	Personal services will increase by 4.25 FTE by the end of the biennium to address workload issues and implement the Montana Mortgage Broker and Loan Originator Licensing Act

Funding

The division is funded solely by state special revenue through assessments, application fees, and examination fees paid by the regulated financial institutions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					228,582					228,002
Vacancy Savings					(71,483)					(71,458)
Inflation/Deflation					(5,987)					(5,862)
Fixed Costs					9,651					7,728
Total Statewide Present Law Adjustments					\$160,763					\$158,410
DP 301 - Indirect Administrative Costs	0.00	0	(4,882)	0	(4,882)	0.00	0	(4,915)	0	(4,915)
DP 1401 - Request 3.25 FTE Bank Examiners	3.25	0	227,563	0	227,563	3.25	0	221,298	0	221,298
DP 1403 - Fund ongoing CSBS accreditation program	0.00	0	5,000	0	5,000	0.00	0	5,000	0	5,000
DP 1404 - Compensatory-Based Pay Plan	0.00	0	187,515	0	187,515	0.00	0	281,273	0	281,273
Total Other Present Law Adjustments										
	3.25	\$0	\$415,196	\$0	\$415,196	3.25	\$0	\$502,656	\$0	\$502,656
Grand Total All Present Law Adjustments					\$575,959					\$661,066

DP 301 - Indirect Administrative Costs - The legislature approved a reduction of \$9,797 state special revenue for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1401 - Request 3.25 FTE Bank Examiners - The legislature approved an increase of \$448,861 state special revenue for the biennium to fund an additional 3.25 FTE and costs for associated office equipment and travel expenditures.

DP 1403 - Fund ongoing CSBS accreditation program - The legislature approved an increase of \$10,000 state special revenue for the biennium to maintain division accreditation through the Conference of State Bank Supervisors (CSBS). The adjustment includes funding to pay a \$5,000 annual dues assessment comprised of a \$3,000 annual fee to maintain accreditation plus 20 percent of the estimated cost of \$10,000 to fund a re-accreditation assessment in FY 2010.

DP 1404 - Compensatory-Based Pay Plan - The legislature approved an increase of \$468,788 state special revenue for the biennium to fund a compensatory-based pay plan to move financial institution examination personnel further along a professional financial institutions examiner career ladder.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1405 - Mortgage Broker Act - SB 274										
14	0.75	0	54,706	0	54,706	1.00	0	59,784	0	59,784
DP 6010 - 2007 Biennium Pay Plan - HB 447										
14	0.00	0	56,281	0	56,281	0.00	0	146,251	0	146,251
Total	0.75	\$0	\$110,987	\$0	\$110,987*	1.00	\$0	\$206,035	\$0	\$206,035*

DP 1405 - Mortgage Broker Act - SB 274 - The legislature approved an increase of \$114,490 state special revenue for the biennium to add 0.75 FTE in FY 2006 and 1.00 FTE in FY 2007 and operating costs to address the fiscal impacts of SB 274. The funding was contingent upon passage and approval of SB 274 that revises the Montana Mortgage Broker and Loan Originator Licensing Act to revise exemptions and licensing requirements for mortgage bankers.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	31.50	0.00	0.00	31.50	0.00	0.00	31.50	31.50
Personal Services	1,395,508	17,046	43,328	1,455,882	17,292	113,317	1,526,117	2,981,999
Operating Expenses	5,791,085	206,979	329	5,998,393	208,598	329	6,000,012	11,998,405
Equipment	38,839	7,000	0	45,839	0	0	38,839	84,678
Debt Service	1,135,317	(1,135,317)	0	0	(1,135,317)	0	0	0
Total Costs	\$8,360,749	(\$904,292)	\$43,657	\$7,500,114	(\$909,427)	\$113,646	\$7,564,968	\$15,065,082
Proprietary	8,360,749	(904,292)	43,657	7,500,114	(909,427)	113,646	7,564,968	15,065,082
Total Funds	\$8,360,749	(\$904,292)	\$43,657	\$7,500,114	(\$909,427)	\$113,646	\$7,564,968	\$15,065,082

Program Description

The Montana State Lottery designs and markets lottery games that allow players to purchase chances to win prizes. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. A five-member lottery commission, appointed by the Governor, sets policy and oversees program activities and procedures. The net revenue, after prizes, sales commissions and operating expenses, is deposited in the state general fund on a quarterly basis.

Program Highlights

Department of Administration Montana State Lottery Major Budget Highlights	
♦	Proprietary fund budget decreases \$1.7 million for the biennium below the base due primarily to removing debt service for the installment purchase of the on-line gaming system (\$2.3 million)
♦	Vendor fees under a percentage-of-sales contract for the operation and maintenance of the lottery operating systems increase expenses by \$400,000 over the biennium

Funding

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				74,604					74,857	
Vacancy Savings				(58,808)					(58,815)	
Inflation/Deflation				(5,492)					(5,576)	
Fixed Costs				60,839					(38,777)	
Total Statewide Present Law Adjustments				\$71,143					(\$28,311)	
DP 301 - Indirect Administrative Costs										
0.00	0	0	0	(1,008)*	0.00	0	0	0	(1,041)*	
DP 1501 - Administrative Server - OTO										
0.00	0	0	0	7,000*	0.00	0	0	0	0	
DP 1502 - Commission Per Diem										
0.00	0	0	0	1,250*	0.00	0	0	0	1,250*	
DP 1506 - Rent										
0.00	0	0	0	2,640*	0.00	0	0	0	3,992*	
DP 1507 - Vendor Fees										
0.00	0	0	0	150,000*	0.00	0	0	0	250,000*	
DP 1550 - Reduce debt service										
0.00	0	0	0	(1,135,317)*	0.00	0	0	0	(1,135,317)*	
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$0	(\$975,435)*	0.00	\$0	\$0	\$0	(\$881,116)*	
Grand Total All Present Law Adjustments				(\$904,292)*					(\$909,427)*	

DP 301 - Indirect Administrative Costs - The legislature approved a reduction of \$2,049 lottery proprietary fund for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1501 - Administrative Server - OTO - The legislature approved an increase of \$7,000 lottery proprietary fund for FY 2006 to replace the administrative server that controls the lottery local area network. The legislature designated funding as one-time-only.

DP 1502 - Commission Per Diem - The legislature approved \$2,500 lottery proprietary fund for the biennium to fund per diem for five meetings of the lottery commission per year.

DP 1506 - Rent - The legislature approved an increase of \$6,632 lottery proprietary fund for the biennium to fund increased rent costs for lottery office and warehouse space based on actual rental contract terms and projected costs expected after the lease contract expires and is renegotiated after March 2007.

DP 1507 - Vendor Fees - The legislature approved an increase of \$400,000 lottery proprietary fund for the biennium to fund payments to the vendor that operates and maintains the lottery operating systems. The legislature restricted funding only for payment of vendor fees.

DP 1550 - Reduce debt service - The legislature approved a reduction of \$2.3 million lottery proprietary fund for the biennium to eliminate base funding for debt service.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1508 - Indirect Cost Impacts - HB 425										
15	0.00	0	0	0	329*	0.00	0	0	0	329*
DP 6010 - 2007 Biennium Pay Plan - HB 447										
15	0.00	0	0	0	43,328*	0.00	0	0	0	113,317*
Total	0.00	\$0	\$0	\$0	\$43,657*	0.00	\$0	\$0	\$0	\$113,646*

DP 1508 - Indirect Cost Impacts - HB 425 - The legislature approved an increase of \$658 lottery proprietary funds for the biennium to address impacts on indirect costs of the department from moving the Consumer Protection function to the Department of Justice via HB 425. The legislature approved funding contingent upon passage and approval of HB 425.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"Vendor Fees is restricted to payment of fees to the lottery online gaming system vendor under valid contract obligations."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	20.53	(1.00)	0.00	19.53	(1.00)	0.00	19.53	19.53
Personal Services	954,369	52,994	29,207	1,036,570	53,733	74,814	1,082,916	2,119,486
Operating Expenses	266,152	(5,927)	0	260,225	(5,566)	0	260,586	520,811
Total Costs	\$1,220,521	\$47,067	\$29,207	\$1,296,795	\$48,167	\$74,814	\$1,343,502	\$2,640,297
General Fund	1,190,996	44,351	29,207	1,264,554	45,451	74,814	1,311,261	2,575,815
State/Other Special	29,525	2,716	0	32,241	2,716	0	32,241	64,482
Total Funds	\$1,220,521	\$47,067	\$29,207	\$1,296,795	\$48,167	\$74,814	\$1,343,502	\$2,640,297

Program Description

The State Personnel Division provides state agencies with a variety of human resource management programs including training, position classification and pay, collective bargaining, employee relations, and assistance with compliance with state and federal employment law. The state general fund is reimbursed for administrative costs of the State Personnel Division through the statewide cost allocation plan. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers benefits plans including health, life, long-term care, dental, and vision insurance, flexible spending accounts, a sick leave fund, employee incentive awards, health promotion, and a voluntary employee benefit health care expense trust. In addition, the division administers a lease and contract to provide daycare services for Helena area state employees. The division also prepares, maintains, and distributes payroll for all state employees.

Program Highlights

Department of Administration State Personnel Division Major Budget Highlights	
◆	General fund budget increases \$201,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

Program Funding Table State Personnel Division							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,190,996	97.6%	\$ 1,264,554	97.5%	\$ 1,311,261	97.6%
	01100 General Fund	1,190,996	97.6%	1,264,554	97.5%	1,311,261	97.6%
02000	Total State Special Funds	29,525	2.4%	32,241	2.5%	32,241	2.4%
	02518 State Daycare Program	29,525	2.4%	32,241	2.5%	32,241	2.4%
Grand Total		<u>\$ 1,220,521</u>	<u>100.0%</u>	<u>\$ 1,296,795</u>	<u>100.0%</u>	<u>\$ 1,343,502</u>	<u>100.0%</u>

Funding for general personnel administration functions is from the general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. The State Payroll Unit is funded with proprietary fees charged to state agencies for payroll processing services. The proprietary funded portions of the division are not shown on the main budget tables, but are discussed in the proprietary rates at the end of the section for the division.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				139,815					140,443
Vacancy Savings				(43,770)					(43,791)
Inflation/Deflation				(342)					(330)
Fixed Costs				(10,034)					(9,685)
Total Statewide Present Law Adjustments				\$85,669					\$86,637
DP 3 - State Daycare Lease Rate Increase									
0.00	0	2,715	0	2,715	0.00	0	2,715	0	2,715
DP 4 - Governor's Advisory Council on Disability									
0.00	2,936	0	0	2,936	0.00	2,936	0	0	2,936
DP 301 - Indirect Administrative Costs									
0.00	(1,202)	0	0	(1,202)	0.00	(1,202)	0	0	(1,202)
DP 2310 - Statewide FTE Reduction									
(1.00)	(43,051)	0	0	(43,051)	(1.00)	(42,919)	0	0	(42,919)
Total Other Present Law Adjustments									
(1.00)	(\$41,317)	\$2,715	\$0	(\$38,602)	(1.00)	(\$41,185)	\$2,715	\$0	(\$38,470)
Grand Total All Present Law Adjustments				\$47,067					\$48,167

DP 3 - State Daycare Lease Rate Increase - The legislature approved an increase of \$5,430 state special revenue for the biennium to fund a rent increase for the state sponsored daycare in Helena.

DP 4 - Governor's Advisory Council on Disability - The legislature approved an increase of \$5,872 general fund for the biennium to fund the Governor's Advisory Council on Disability for two-day meetings each quarter.

DP 301 - Indirect Administrative Costs - The legislature approved a reduction of \$2,404 general fund for the biennium to fund increases and allocation changes in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2310 - Statewide FTE Reduction - The legislature approved a reduction of \$85,970 general fund for the biennium to reduce funding for 1.00 FTE human resources specialist.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
23	0.00	29,207	0	0	29,207	0.00	74,814	0	0	74,814
Total	0.00	\$29,207	\$0	\$0	\$29,207*	0.00	\$74,814	\$0	\$0	\$74,814*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates**Proprietary Program Description**

The State Personnel Division manages four proprietary programs: 1) the Training program; 2) the Employee Benefits program, which includes the state's health and other benefit insurance plans; 3) the State Payroll/Benefits Operations program; and 4) the Flexible Spending Accounts program.

*Training Program (Fund 06525)***Proprietary Program Description**

The Professional Development Center (PDC) provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. The use of PDC training is not mandatory for agencies that could choose from several available alternatives, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions.

Proprietary Revenues and Expenses

In FY 2004, the Professional Development Center had revenues of \$285,340 from fees paid by agencies statewide. The funding for customer payments to the PDC could not be determined because the accounting code used to record payments to the PDC for training is also used to record a variety of other training costs.

In FY 2004, revenues funded personal services for 3.08 FTE and operating costs. Personal services of about \$155,000 were 53 percent of expenses, with operating costs making up the remaining \$138,000 or 47 percent of PDC expenses.

Proprietary Rate Explanation

The PDC establishes rates by separating fixed and overhead costs from the variable costs directly associated with producing a specific service, such as a workshop. The total projected fixed costs are divided by an estimate of total billable hours to allocate fixed costs to billable staff hours.

Estimated billable hours for the 3.00 FTE training professionals in the center are derived from an analysis of past fiscal years. General preparation time, planning, administrative tasks, personal leave, and unbilled travel time are subtracted from the total available hours. This analysis indicates that 30 percent of total staff time can be billed to specific products or services.

An analysis of expenditures shows that 20 percent of total costs can be associated with specific products or services. The remaining 80 percent are personal services and other fixed cost that must be allocated through staff time. One half of the

45-day working capital requirement has been added to the fixed costs for the rate calculations in order to reach the full working capital requirement by the end of the biennium.

The base rate for services is calculated as:

$$[(\text{Total Costs} \times 80 \text{ percent}) + 0.5(\text{Working Capital})] / (\text{Total Hours} \times 30 \text{ percent}) = \text{Staff Cost per hour}$$

The base rate is used to set the price of individual workshops by analyzing the staff time required to develop and provide the workshop, along with other variable costs (printing, materials, travel, etc.) associated with conducting the training. The base rate is also used to set a general schedule of prices where staff time and variable expenses can be consistently projected.

For the 2007 biennium, the legislature approved base rates of \$127.86 per hour for FY 2006 and \$127.97 per hour for FY 2007.

State Payroll/Benefits Operations Program (Fund 06563)

Proprietary Program Description

The Payroll/Benefits Operations Bureau operates the statewide payroll, benefits, and human resources (HR) system to process, distribute, report, and account for payroll, benefits, and associated withholding and deductions for more than 13,000 state employees in three branches of Montana state government. The bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll, benefits, and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits, classification, pay, labor relations, policy, and training.

Proprietary Revenues and Expenses

In FY 2004, the Payroll/Benefits Operations Bureau had revenues of roughly \$435,310 from payroll processing fees paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (42.4 percent), \$184,500
- State special revenue (33.9 percent), \$147,600
- Federal special revenue (12.6 percent), \$54,800
- Proprietary funds (10.8 percent), \$46,800
- All other funds (0.3 percent), \$1,600

In FY 2004, revenues funded personal services for 7.10 FTE and operating costs. Personal services of \$266,501 were 64.7 percent of expenses, with operating costs making up the remaining \$145,343 or 35.3 percent of bureau expenses.

Proprietary Rate Explanation

For the 2007 biennium, the legislature approved per employee processed per pay period rates of \$1.34 for FY 2006 and \$1.33 for FY 2007.

Employee Benefits Program (Fund 06559)

Proprietary Program Description

The Employee Benefits Program is charged with providing state employees, retirees, and their families with adequate medical, dental, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health and dental plan. Life and long-term care insurance are purchased from private sector vendors. The program contracts with private companies to provide claims processing services, health screening, managed care services, and an employee assistance program. The plan serves approximately 32,000 people.

Proprietary Revenues and Expenses

In FY 2004, the Employee Benefit Program had revenues of roughly \$85.7 million from premiums paid by state agencies and employee contributions. The state accounting system recorded about \$58.9 million from state sources. The state funded portion of the Employee Benefits Program revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (38.8 percent), \$22.8 million
- State special revenue (33.4 percent), \$19.7 million
- Federal special revenue (17.5 percent), \$10.3 million
- Proprietary funds (9.2 percent), \$5.4 million
- All other funds (1.1 percent), \$0.7 million

In FY 2004, revenues funded personal services for 13.00 FTE and operating costs. Personal services of about \$681,000 were 0.9 percent of expenses, operating costs were \$3.2 million or 4.1 percent of expenses, and benefits payments made up the remaining \$73.4 million or 95.0 percent of program expenses.

The primary cost drivers in the fund are costs for medical and prescription drug claims. Medical claim costs are projected to increase by approximately 15 percent annually. Drug claims are projected to increase by 12 percent annually.

The cost of medical care is rising at a significant rate and these costs are projected to be \$90.6 million in FY 2006 and \$103.2 million in FY 2007.

Claims costs make up approximately 94 percent of program expenditures. Administrative costs comprise about 6.5 percent of total program expenditures, including contracting with vendors to process claims, managed care review, and administrative costs directly within the department. In comparison, insurance companies generally have administrative costs that range from 14 percent to 22 percent and pay 78 to 86 percent of their premiums out in claims.

Proprietary Rate Explanation

The legislature typically approves rate for the state share of employee group benefits separately from HB 2, when it approved the state employee pay plan bill. The rates currently in the pay plan bill (HB 447) for the the state contribution for employee insurance coverage - would add \$46 on January 1, 2006, and an additional \$51 on January 1, 2007, per month per employee.

*Flexible Spending Account (FSA) Program (Fund 06027)***Proprietary Program Description**

The state offers its employees the opportunity to participate in a medical care and a dependent care flexible spending account, which allows them to pay for qualified expenses with pre-tax dollars. The Employee Benefits Bureau contracts with an account administrator whose fees are based on the number of employees participating in the plan. Employees designate a portion of their paycheck to be directed to the flexible spending accounts and are charged a monthly service fee, which is also collected through the payroll process. As participants in the plan incur medical or dependent care costs that are not reimbursed to them through other sources, they file a claim with the administrator who in turn reimburses the participant with funds from the flexible spending accounts maintained by the state, up to the employee's annual election amount. Annual elections that are not claimed are forfeited by the employee, and are retained by the fund to help cover operating costs. The Flexible Spending Account program is accounted for as an enterprise fund.

Proprietary Revenues and Expenses

In FY 2004, the flexible spending account had revenues of roughly \$4.6 million from administrative fees and premiums paid by state employees participating in the plan. Of these revenues, all but about \$98,200 was paid for plan administration and not reimbursed to plan participants. The fund had an operating loss of \$41,527. The loss is attributable to a provision in which a participant in the medical flexible spending account could request reimbursement for a claim that exceeds his contributions to date and then terminate his employment with the state before contributing his

total elected amount. The fund is not able to seek reimbursement for the paid-out claim under IRS regulations. Typically, forfeitures of unclaimed annual elections offset the risk of contributions not being received.

Proprietary Rate Explanation

The rate charged to participants in the flexible spending account plan is established through the competitive bid procurement process and contract negotiations with the successful bidder for the claims administration contract. The participant pays these plan administration fees. Because the fund is an enterprise type proprietary fund, the legislature does not approve fees and charges for the fund. Currently the claim administrator charges \$2.15 per member per month. This rate is subject to inflation and other cost increases by the administrator on an annual basis.

Program Description

The Risk Management and Tort Defense Division insures state agencies against risk of loss for property, vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on various leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

Funding

The Risk Management and Tort Defense Division is funded entirely with proprietary funds financed with revenues from premium payments from state agencies.

Proprietary Rates**Proprietary Program Description**

The Risk Management and Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that are above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-insures general liability, vehicle liability, professional liability, errors and omissions, inland marine, leased/loaned vehicles, and foster care exposures. The Department of Administration accumulates a self-insurance fund to pay for losses, purchase insurance, and fund operations.

The division provides risk management/safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the state in tort liability claims and coordinates the adjudication and settlement of claims involving damage to state property.

Proprietary Revenues and Expenses

In FY 2004, the Risk Management and Tort Defense Division had revenues of roughly \$14.7 million from premiums paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (26.9 percent), \$4.0 million
- State special revenue (35.9 percent), \$5.3 million
- Federal special revenue (6.3 percent), \$0.9 million
- Proprietary funds (30.4 percent), \$4.5 million
- All other funds (0.4 percent), \$63,000

In FY 2004, revenues funded personal services for 16.00 FTE, operating costs, and insurance claims. Personal services of \$0.6 million were 25.2 percent of expenses and operating costs of \$1.9 million were 74.8 percent of expenses.

Each fiscal year the division contracts with an actuarial consulting firm to project the state's estimated unpaid loss and loss adjustment expenses. The actuarial evaluation provides an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. Actuarial projections of unpaid losses as of June 30, 2004, are \$25.6 million. Actuarial projected future loss costs for FY 2006 and FY 2007 determined the ultimate projected loss for those fiscal years to be \$8.7 million and \$9.3 million respectively. Since claims and lawsuits are filed at different times and are typically paid out over as many as 10 years, it is not probable that all claims would come due at once.

Proprietary Rate Explanation

Figure 4 shows the rates approved by the legislature for the Risk Management and Tort Defense Division for the 2007 biennium.

Figure 4		
Risk Management and Tort Defense		
Property and Casualty Insurance Premium Rates		
	Approved FY 06	Approved FY 07
General Liability	\$7,203,992	\$7,242,383
Auto Liability/Comp/Collision	1,668,644	1,671,416
Aviation	174,014	174,003
Property/Miscellaneous	<u>5,385,291</u>	<u>5,412,054</u>
Total	<u>\$14,431,941</u>	<u>\$14,499,856</u>

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	7.00	(0.50)	0.00	6.50	(0.50)	0.00	6.50	6.50
Personal Services	224,256	37,663	8,389	270,308	36,855	21,516	282,627	552,935
Operating Expenses	63,660	(949)	0	62,711	(801)	0	62,859	125,570
Local Assistance	6,504	0	0	6,504	0	0	6,504	13,008
Total Costs	\$294,420	\$36,714	\$8,389	\$339,523	\$36,054	\$21,516	\$351,990	\$691,513
General Fund	294,420	36,714	8,389	339,523	36,054	21,516	351,990	691,513
Total Funds	\$294,420	\$36,714	\$8,389	\$339,523	\$36,054	\$21,516	\$351,990	\$691,513

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Program Highlights

Department of Administration State Tax Appeal Board Major Budget Highlights	
◆	General fund budget increases \$103,000 for the biennium over the base due primarily to statewide present law and pay plan adjustments

Funding

The board is funded entirely by the general fund. General fund increases by more than 12 percent on average each year over the base. The main factor for this increase is a 40 percent vacancy rate in FY 2004 and the corresponding increases resulting from fully funding all FTE, except for the vacancy savings and FTE reduction adopted by the legislature. As stated, the county tax appeal board secretaries are state employees. These secretaries work only when needed, and need is based on the workload resulting from tax appeals.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					65,167					64,287
Vacancy Savings					(11,577)					(11,541)
Fixed Costs					(1,076)					(928)
Total Statewide Present Law Adjustments					\$52,514					\$51,818
DP 301 - Indirect Administrative Costs	0.00	127	0	0	127	0.00	127	0	0	127
DP 2310 - Statewide FTE Reduction	(0.50)	(15,927)	0	0	(15,927)	(0.50)	(15,891)	0	0	(15,891)
Total Other Present Law Adjustments	(0.50)	(\$15,800)	\$0	\$0	(\$15,800)	(0.50)	(\$15,764)	\$0	\$0	(\$15,764)
Grand Total All Present Law Adjustments					\$36,714					\$36,054

DP 301 - Indirect Administrative Costs - The legislature approved an increase of \$254 general fund for the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2310 - Statewide FTE Reduction - The legislature approved a reduction of \$31,564 general fund for the biennium to reduce funding by 0.50 FTE for an aggregate position that funds county tax appeal board secretaries.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
37	0.00	8,389	0	0	8,389	0.00	21,516	0	0	21,516
Total	0.00	\$8,389	\$0	\$0	\$8,389*	0.00	\$21,516	\$0	\$0	\$21,516*

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	3.00	0.00	0.00	3.00	0.00	(3.00)	0.00	0.00
Personal Services	145,942	6,961	4,291	157,194	6,888	(152,830)	0	157,194
Operating Expenses	40,673	15,273	3,819	59,765	11,758	(52,431)	0	59,765
Total Costs	\$186,615	\$22,234	\$8,110	\$216,959	\$18,646	(\$205,261)	\$0	\$216,959
General Fund	186,615	22,234	8,110	216,959	18,646	(205,261)	0	216,959
Total Funds	\$186,615	\$22,234	\$8,110	\$216,959	\$18,646	(\$205,261)	\$0	\$216,959

Agency Description

The Office of the Appellate Defender is a single program agency administratively attached to the Department of Administration. The Appellate Defender is hired by, and serves at the pleasure of, the Appellate Defender Commission. The Appellate Defender provides legal counsel for indigent persons who have been convicted and who then appeal district court convictions, or who petition for post-conviction relief from district court proceedings. The Appellate Defender also aids the commission by compiling and maintaining a current roster of Montana attorneys who are eligible to serve as trial and appellate defense counsel for the indigent, if appointed by an appropriate court.

Agency Highlights

Appellate Defender Major Budget Highlights	
♦	The FTE and funding for the Appellate Defender are moved to a separate program in the Office of State Public Defender beginning in FY 2007
♦	Major funding adjustments prior to the transfer included: <ul style="list-style-type: none"> • Funding for continuing education costs to attend training in areas of appellate law applicable to state appeals cases and for long-distance telephone costs for calls to clients in state prisons added \$10,194 • Other increases were for statewide present law adjustments, pay plan adjustments, increased administrative costs paid to the Department of Administration, and one-time-only funding to replace computers

Summary of Legislative Action

The legislative budget for general fund is an increase of \$30,000 for FY 2006 over the base of \$187,000. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the state employee pay plan for the 2007 biennium and accounts for \$4,000 of the increase in FY 2006. Other factors for the increase are for:

- Statewide present law adjustments
- Telecommunication costs to contact clients incarcerated in state prison facilities
- Training and continuing education costs to maintain qualification in areas of appellate law applicable to state appeals cases
- Computer replacement costs
- Cost increases for services provided by the Department of Administration for administrative support

The agency will be a budgeted program of the Office of State Public Defender after it is transferred to this function in FY 2007. Funding appropriated for the function in FY 2007 in the Office of State Public Defender is comparable to the FY 2006 appropriation.

Other Legislation

Senate Bill 146 - SB 146 establishes a statewide public defender system and an Office of State Public Defender. The office will consist of two budgetary programs, one of which is the Appellate Defender Program. HB 2 funding and staff of the Appellate Defender will remain with the Appellate Defender Office for FY 2006, but will be moved to the Office of State Public Defender for FY 2007. SB 146 has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	3.00	3.00	3.00	0.00	3.00	0.00	(3.00)	
Personal Services	145,942	149,753	157,194	7,441	149,680	0	(149,680)	(142,239)
Operating Expenses	40,673	50,849	59,765	8,916	47,334	0	(47,334)	(38,418)
Total Costs	\$186,615	\$200,602	\$216,959	\$16,357	\$197,014	\$0	(\$197,014)	(\$180,657)
General Fund	186,615	200,602	216,959	16,357	197,014	0	(197,014)	(180,657)
Total Funds	\$186,615	\$200,602	\$216,959	\$16,357	\$197,014	\$0	(\$197,014)	(\$180,657)

The legislative budget is \$181,000 lower than the executive budget for the biennium. For FY 2006, the legislative budget is \$16,000 more than the executive budget. For FY 2006, the primary differences between the legislative and executive budget are:

- State employee pay plan adjustments for the 2007 biennium
- Funding for telecommunications costs for staff to telephone clients in state prison facilities
- Funding for continuing education to maintain qualifications in areas of appellate law applicable to state appeals cases

For the biennium, the legislative budget is lower than the executive budget because SB 146 transfers the Appellate Defender to a new Office of State Public Defender in FY 2007. The executive budget anticipated funding for the Appellate Defender for two fiscal years, while only FY 2006 is reflected in the legislative budget. The apparent reduction over the biennium for the Appellate Defender is due to the passage of SB 146 establishing a statewide public defender system and the associated organizational change. Since FY 2007 appropriations are not made in this agency but are made in the new Office of State Public Defender, the biennium funding shows a reduction from the executive budget.

Funding

Services provided by the Appellate Defender are funded entirely from the state general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					6,961					6,888
Inflation/Deflation					(96)					(92)
Fixed Costs					3,610					3,637
Total Statewide Present Law Adjustments					\$10,475					\$10,433
DP 101 - Fixed cost and computer replacement										
	0.00	6,662	0	0	6,662	0.00	3,116	0	0	3,116
DP 103 - Communications and Training										
	0.00	5,097	0	0	5,097	0.00	5,097	0	0	5,097
Total Other Present Law Adjustments										
	0.00	\$11,759	\$0	\$0	\$11,759	0.00	\$8,213	\$0	\$0	\$8,213
Grand Total All Present Law Adjustments					\$22,234					\$18,646

DP 101 - Fixed cost and computer replacement - The legislature approved an increase of \$9,778 general fund for the biennium for increased office rent, personal computer replacements, and increases in indirect and administrative costs paid for administrative services provided by the Department of Administration. The legislature designated \$3,819 in FY 2006 for computer purchases as one-time-only.

DP 103 - Communications and Training - The legislature approved an increase of \$10,194 general fund for the biennium to restore funding for communications and training. Training increases include funding for travel to attend out-of-state continuing education training required to maintain qualification in areas of appellate law applicable to state appeals cases.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 105 - Public Defender System - SB 146										
01	0.00	3,819	0	0	3,819	(3.00)	(205,261)	0	0	(205,261)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	4,291	0	0	4,291	0.00	0	0	0	0
Total	0.00	\$8,110	\$0	\$0	\$8,110	(3.00)	(\$205,261)	\$0	\$0	(\$205,261)

DP 105 - Public Defender System - SB 146 - The legislature approved moving the funding from the Appellate Defender to a new agency to provide a statewide public defender system, beginning in FY 2007. The statewide public defender system was the result of SB 146, which moved functions in the Judicial Branch and the Appellate Defender into the new agency, Office of State Public Defender.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Reorganizations

Beginning in FY 2007, the Appellate Defender will cease being a separate agency and will become a program of a newly created Office of State Public Defender at which time the staff and budget of the current Appellate Defender agency will be transferred to the public defender office. The organizational change is the result of passage and approval of SB 146 that establishes a statewide public defender system.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2.00	0.00	0.50	2.50	0.00	0.50	2.50	2.50
Personal Services	129,438	(2,339)	23,080	150,179	(2,704)	30,303	157,037	307,216
Operating Expenses	110,362	(39,094)	100,000	171,268	(38,915)	100,000	171,447	342,715
Total Costs	\$239,800	(\$41,433)	\$123,080	\$321,447	(\$41,619)	\$130,303	\$328,484	\$649,931
General Fund	0	0	69,040	69,040	0	68,829	68,829	137,869
State/Other Special	239,800	(41,433)	54,040	252,407	(41,619)	61,474	259,655	512,062
Total Funds	\$239,800	(\$41,433)	\$123,080	\$321,447	(\$41,619)	\$130,303	\$328,484	\$649,931

Agency Description

The Montana Consensus Council is a single program agency attached to the Department of Administration for administrative purposes. The Montana Consensus Council is a public organization that helps citizens and officials build agreement and resolve disputes on natural resource and other public policy issues.

Agency Highlights

Montana Consensus Council Major Budget Highlights	
◆	Total funding increases \$170,000 over the base <ul style="list-style-type: none"> • State special revenue was increased to fund consensus services to other state agencies (\$200,000) • General fund replaces state special revenue to fund the executive director position (\$138,000) • 0.50 FTE administrative support position was added (\$37,000)

Summary of Legislative Action

The legislative budget for total funds is an increase of \$170,000 for the biennium over the base of 240,000. The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the pay plan increases for the 2007 biennium and accounts for \$16,175 of the total fund increase for the biennium. Significant items in the legislative budget are:

- State special revenue was increased by \$200,000 to fund consensus services to other state agencies
- A funding switch to replace state special revenue with general fund was approved to fund the executive director position
- Funding for an administrative support position at 0.50 FTE was added to free up consensus staff from office administrative functions

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	2.00	2.00	2.50	0.50	2.00	2.50	0.50	
Personal Services	129,438	127,099	150,179	23,080	126,734	157,037	30,303	53,383
Operating Expenses	110,362	71,268	171,268	100,000	71,447	171,447	100,000	200,000
Total Costs	\$239,800	\$198,367	\$321,447	\$123,080	\$198,181	\$328,484	\$130,303	\$253,383
General Fund	0	0	69,040	69,040	0	68,829	68,829	137,869
State/Other Special	239,800	198,367	252,407	54,040	198,181	259,655	61,474	115,514
Total Funds	\$239,800	\$198,367	\$321,447	\$123,080	\$198,181	\$328,484	\$130,303	\$253,383

For the biennium, the legislative budget is \$253,000 in total funds and \$138,000 in general fund more than the executive budget. Besides funding increases for the state employee pay plan, the differences are due primarily to three factors:

- A funding switch replaced state special revenue with general fund for the executive director position
- A 0.50 FTE administrative support position was added to shift general administrative tasks from consensus facilitator positions
- State special revenue was increased to provided funding for the council to provide services to other state agencies in reaching consensus solutions to public policy issues

Funding

The following figure summarizes funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table Mt Consensus Council							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ -	-	\$ 69,040	21.5%	\$ 68,829	21.0%
	01100 General Fund	-	-	69,040	21.5%	68,829	21.0%
02000	Total State Special Funds	239,800	100.0%	252,407	78.5%	259,655	79.0%
	02275 Montana Consensus Council	239,800	100.0%	252,407	78.5%	259,655	79.0%
Grand Total		<u>\$ 239,800</u>	<u>100.0%</u>	<u>\$ 321,447</u>	<u>100.0%</u>	<u>\$ 328,484</u>	<u>100.0%</u>

Services of the Montana Consensus Council are funded with state special revenue funds derived from fees charged for services and other private grants or donations. For the 2007 biennium, the executive director position is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(2,339)					(2,704)
Inflation/Deflation					(109)					(105)
Fixed Costs					3,768					3,945
Total Statewide Present Law Adjustments					\$1,320	\$1,136				
DP 301 - Indirect Administrative Costs/Base Adjustments										
	0.00	0	(42,753)	0	(42,753)	0.00	0	(42,755)	0	(42,755)
Total Other Present Law Adjustments										
	0.00	\$0	(\$42,753)	\$0	(\$42,753)	0.00	\$0	(\$42,755)	\$0	(\$42,755)
Grand Total All Present Law Adjustments					(\$41,433)	(\$41,619)				

DP 301 - Indirect Administrative Costs/Base Adjustments - The legislature approved a net reduction of about \$85,500 state special revenue for the biennium through increases of \$4,492 for indirect and administrative costs paid for services received from the Department of Administration and offsetting reductions of \$80,000 for consultant services and \$10,000 for minor computer software.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Funding Switch for Executive Director										
01	0.00	69,040	(69,040)	0	0	0.00	68,829	(68,829)	0	0
DP 2 - Add 0.50 FTE Administrative Support										
01	0.50	0	18,624	0	18,624	0.50	0	18,584	0	18,584
DP 3 - Agency Consensus Assistance										
01	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	0	4,456	0	4,456	0.00	0	11,719	0	11,719
Total	0.50	\$69,040	\$54,040	\$0	\$123,080	0.50	\$68,829	\$61,474	\$0	\$130,303

DP 1 - Funding Switch for Executive Director - The legislature approved a funding switch to replace state special revenue funding with general fund to support the executive director position.

DP 2 - Add 0.50 FTE Administrative Support - The legislature approved an increase of \$37,208 state special revenue for the biennium to fund the addition of 0.50 FTE administrative support position.

DP 3 - Agency Consensus Assistance - The legislature approved an increase of \$100,000 state special revenue for each year of the biennium to provide consensus services to other state agencies to assist them in avoiding legal costs through the use of early consensus intervention.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	5.50	5.50	0.00	90.25	90.25	90.25
Personal Services	0	0	320,687	320,687	0	4,768,097	4,768,097	5,088,784
Operating Expenses	0	0	207,042	207,042	0	9,366,020	9,366,020	9,573,062
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$0	\$0	\$527,729	\$527,729	\$0	\$14,134,117	\$14,134,117	\$14,661,846
General Fund	0	0	527,729	527,729	0	14,134,117	14,134,117	14,661,846
Total Funds	\$0	\$0	\$527,729	\$527,729	\$0	\$14,134,117	\$14,134,117	\$14,661,846

Agency Description

The Office of State Public Defender administers the statewide public defender system that delivers public defender services in all courts in Montana for criminal and certain civil cases for an individual who is determined to be financially unable to retain private counsel and who is accused of an offense that could result in the person's loss of life or liberty if convicted. The office administers the statewide public defender system that is supervised by the Public Defender Commission. The office is administratively attached to the Department of Administration but has authority in law to provide administrative functions as determined by the commission.

Agency Highlights

Office of State Public Defender	
Major Budget Highlights	
♦	The Office of State Public Defender is established through passage and approval of SB 146, which establishes a statewide public defender system
♦	Funding and FTE are from the following: <ul style="list-style-type: none"> • 5.50 FTE in FY 2006 and 20.00 FTE in FY 2007 are added to manage and administer the system • 3.00 FTE and \$205,261 general fund from the Appellate Defender agency beginning in FY 2007 • 1.5 FTE and \$8.1 million general fund are transferred from the Judiciary in FY 2007 • 42.00 FTE attorneys and 23.75 FTE support state are transferred from local governments in FY 2007 • \$50,141 general fund is transferred in FY 2007 from the Department of Corrections for mental health evaluations

Summary of Legislative Action

The legislative budget for general fund totals \$14.7 million for the biennium. Because the office did not exist during the 2005 biennium, all but the \$8.4 million funding transferred from the Judiciary, Department of Corrections, and Appellate Defender represents an increase of \$6.3 million over the base, from a statewide perspective (of which almost \$2.6 million is a transfer from local governments). The legislative budget includes funding for both HB 2 and HB 447. HB 447 funds the state employee pay plan for the 2007 biennium and accounts for \$277,000 of the increase for the biennium. The remainder of the increase is due to funding for: 1) operating costs; 2) the addition of new employees to manage and administer the statewide public defender system; and 3) the assumption of 42.00 FTE attorneys and 23.75 FTE support staff currently working as local government employees, as new state employees.

The following figure summarizes the sources of FTE and funding for the 2007 biennium. The figure shows that FTE and funding were transferred from a number of existing state functions, while 65.75 FTE in FY 2007 were transferred from courts under the responsibility of local governments and would become new state employees. Also, 5.50 FTE in FY 2006 and 20.00 FTE in FY 2007 would be new state employees to administer the new office. Local government entitlement payments would be reduced beginning in FY 2007 to offset a portion of the costs for the state assuming functions and FTE that were previously provided by local governments. Because the 2007 biennium is a transitional biennium for the new statewide public defender system, the funding for the 2009 biennium would be roughly two times the FY 2007 amount or \$28.3 million.

Figure 1				
Office of State Public Defender				
Sources of FTE and Funding				
2007 Biennium				
	FTE		General Fund	
	FY 2006	FY 2007	FY 2006	FY 2007
Transfer of FTE and funding:				
From Judiciary	0.00	1.50	\$0	\$8,137,160
From Appellate Defender	0.00	3.00	0	205,261
From Department of Corrections	0.00	0.00	0	50,141
From local government	0.00	65.75	0	0
Local government entitlement payments	0.00	0.00	0	2,559,141
New state FTE and funds	<u>5.50</u>	<u>20.00</u>	<u>\$27,729</u>	<u>3,182,414</u>
Total FTE and funding	<u>5.50</u>	<u>90.25</u>	<u>\$27,729</u>	<u>\$14,134,117</u>
Total funding for 2007 biennium				<u>\$14,661,846</u>

Funding

The general fund supports all functions of the office. For the 2007 biennium, all but \$3.7 million of the funding was a transfer of general fund authority from other state agencies (\$8.4 million) or from reductions of the local government entitlement share payments (\$2.6 million). As a result, \$3.7 million represents a new general fund appropriation.

Other Legislation

Senate Bill 146 - SB 146 establishes a state public defender system. The state public defender system would provide, as a state function, public defender services in criminal and certain civil cases for any individual who is determined to be financially unable to retain private counsel and accused of an offense that could result in the person's loss of life or liberty if convicted. The system would provide public defender services in the Supreme Court or in any district court, justice court, or city or municipal court in the state. HB 2 contains funding to implement SB 146, which has become law.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	0.00	0.00	5.50	5.50	0.00	90.25	90.25	
Personal Services	0	0	320,687	320,687	0	4,768,097	4,768,097	5,088,784
Operating Expenses	0	0	207,042	207,042	0	9,366,020	9,366,020	9,573,062
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$0	\$0	\$527,729	\$527,729	\$0	\$14,134,117	\$14,134,117	\$14,661,846
General Fund	0	0	527,729	527,729	0	14,134,117	14,134,117	14,661,846
Total Funds	\$0	\$0	\$527,729	\$527,729	\$0	\$14,134,117	\$14,134,117	\$14,661,846

The budget for the office was not included in the executive budget. Therefore, all funding for the office reflects a difference from the executive budget.

Reorganizations

The office was formed through passage and approval of SB 146 by moving the existing Appellate Defender agency to a separate budgetary program of the office and establishing a new budgetary program for managing and administering the system and providing non-appellate public defender services.

The office moves functions and funding from the Judiciary, Appellate Defender, and Department of Corrections, as well as establishing new, state-provided functions. Functions and funding transferred from the Judiciary include 1.50 FTE and \$8.1 million general fund in FY 2007. The Appellate Defender moves into the office beginning in FY 2007 through the transfer of 3.00 FTE and \$205,000 general fund. The legislature also transferred \$50,141 general fund in FY 2007 from the Department of Corrections for mental health evaluations. Above the amounts transferred from existing funding, the legislature added nearly \$6.0 million general fund to support the office in the 2007 biennium (including \$2.6 million transferred from local governments). The additional funding would add 5.50 FTE in FY 2006 and 20.00 FTE in FY 2007 to administer the new office and assume as state employees 42.00 FTE attorneys and 23.75 FTE support staff that currently exist in local governments. The office would be in transition during the 2007 biennium with FY 2006 being dedicated to establishing the structure for the statewide public defender system and initial staffing of key positions prior to the office being ordered by the courts to assign counsel beginning July 1, 2006.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	5.50	5.50	0.00	87.25	87.25	87.25
Personal Services	0	0	320,687	320,687	0	4,608,821	4,608,821	4,929,508
Operating Expenses	0	0	207,042	207,042	0	8,663,979	8,663,979	8,871,021
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$0	\$0	\$527,729	\$527,729	\$0	\$13,272,800	\$13,272,800	\$13,800,529
General Fund	0	0	527,729	527,729	0	13,272,800	13,272,800	13,800,529
Total Funds	\$0	\$0	\$527,729	\$527,729	\$0	\$13,272,800	\$13,272,800	\$13,800,529

Program Description

The Office of State Public Defender Program provides all administration and management functions for the office, except for human resources functions that are provided by the Department of Administration for an indirect cost charge. The program also administers all state public defender services to indigent citizens except for appeals for indigent citizens.

Program Highlights

Office of State Public Defender Public Defender Program Major Budget Highlights	
◆	5.50 FTE in FY 2006 and 20.00 FTE in FY 2007 are added to manage and administer the system
◆	1.5 FTE and \$8.1 million general fund are transferred from the Judiciary in FY 2007
◆	42.00 FTE attorneys and 23.75 FTE support staff are transferred from local governments in FY 2007
◆	\$50,141 general fund is transferred in FY 2007 from the Department of Corrections for mental health evaluations
◆	State employee pay plan adds \$267,000 general fund

Funding

The general fund supports all functions of the program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1 - Office of State Public Defender - SB 146										
01	5.50	514,552	0	0	514,552	87.25	13,017,335	0	0	13,017,335
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	13,177	0	0	13,177	0.00	255,465	0	0	255,465
Total	5.50	\$527,729	\$0	\$0	\$527,729	87.25	\$13,272,800	\$0	\$0	\$13,272,800

DP 1 - Office of State Public Defender - SB 146 - The legislature approved an increase of \$13.5 million general fund over the biennium to establish a program to administer the Office of State Public Defender.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	3.00	3.00	3.00
Personal Services	0	0	0	0	0	159,276	159,276	159,276
Operating Expenses	0	0	0	0	0	702,041	702,041	702,041
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$0	\$0	\$0	\$0	\$0	\$861,317	\$861,317	\$861,317
General Fund	0	0	0	0	0	861,317	861,317	861,317
Total Funds	\$0	\$0	\$0	\$0	\$0	\$861,317	\$861,317	\$861,317

Program Description

The Appellate Defender Program provides appeal services for indigent citizens.

Program Highlights

Office of State Public Defender Appellate Defender Program Major Budget Highlights	
◆	3.00 FTE and \$205,261 general fund of the Appellate Defender are moved to the Appellate Defender Program in the office beginning in FY 2007
◆	State employee pay plan adds \$8,400 general fund

Funding

The general fund supports all functions of the program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Office of Appellate Defender - SB 146										
02	0.00	0	0	0	0	3.00	852,883	0	0	852,883
DP 6010 - 2007 Biennium Pay Plan - HB 447										
02	0.00	0	0	0	0	0.00	8,434	0	0	8,434
Total	0.00	\$0	\$0	\$0	\$0	3.00	\$861,317	\$0	\$0	\$861,317

DP 2 - Office of Appellate Defender - SB 146 - The legislature approved an increase of \$1.1 million general fund over the biennium to establish an Appellate Defender Program in the Office of State Public Defender.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

HEALTH AND HUMAN SERVICES

Section B

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Public Health & Human Services

-----Committee Members-----

House

Representative Christine Kaufmann (Chair)
Representative Joey Jayne
Representative Walter McNutt
Representative Penny Morgan

Senate

Senator Dan Weinberg (Vice-Chair)
Senator John Cobb
Senator Greg Lind

-----Fiscal Division Staff-----

Lois Steinbeck
Pat Gervais

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2,755.01	0.20	28.25	2,783.46	0.20	32.25	2,787.46	2,787.46
Personal Services	114,038,582	7,187,430	5,274,591	126,500,603	7,224,783	11,299,055	132,562,420	259,063,023
Operating Expenses	88,621,395	11,053,379	18,519,387	118,194,161	11,414,676	24,087,432	124,123,503	242,317,664
Equipment	376,355	51,000	85,000	512,355	36,000	0	412,355	924,710
Capital Outlay	0	0	0	0	0	0	0	0
Grants	42,470,810	3,268,515	4,724,918	50,464,243	3,761,327	3,771,061	50,003,198	100,467,441
Benefits & Claims	821,366,107	110,657,832	113,960,006	1,045,983,945	156,041,929	109,270,374	1,086,678,410	2,132,662,355
Transfers	0	0	0	0	0	0	0	0
Debt Service	598,806	0	0	598,806	0	0	598,806	1,197,612
Total Costs	\$1,067,472,055	\$132,218,156	\$142,563,902	\$1,342,254,113	\$178,478,715	\$148,427,922	\$1,394,378,692	\$2,736,632,805
General Fund	248,448,589	45,661,704	16,588,046	310,698,339	56,524,151	8,882,906	313,855,646	624,553,985
State/Other Special	36,553,605	7,689,993	44,871,916	89,115,514	9,520,906	42,810,629	88,885,140	178,000,654
Federal Special	782,469,861	78,866,459	81,103,940	942,440,260	112,433,658	96,734,387	991,637,906	1,934,078,166
Total Funds	\$1,067,472,055	\$132,218,156	\$142,563,902	\$1,342,254,113	\$178,478,715	\$148,427,922	\$1,394,378,692	\$2,736,632,805

Agency Description

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: welfare reform - Families Achieving Independence in Montana (FAIM), Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention). In addition, the 2005 Legislature implemented two new programs – a state pharmacy assistance program and health insurance premium assistance for small employers. DPHHS administers the state pharmacy program and will implement a Medicaid waiver to complement the premium assistance program administered by the State Auditor.

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Facility, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights	
♦	The 2007 biennium DPHHS budget grows to over \$2.8 billion when HB 2 and other ongoing program appropriations are included
♦	Appropriation increases for direct services to individuals account for over 80 percent of 2007 biennium appropriations <ul style="list-style-type: none"> • Appropriations for Medicaid services are 60 percent of the total agency appropriation • The other significant appropriations support the food stamp program, Temporary Assistance for Needy Families, child care, and the Children's Health Insurance Program (CHIP)

- ◆ Legislation and appropriations to implement I-149, a voter initiative to raise tobacco taxes and fund various health care initiatives, were major policy initiatives considered by the legislature
 - SB 324 enacted prescription drug assistance programs for low-income Montanans and established prescription drug technical assistance
 - HB 667 enacted various types of health insurance premium assistance for small employers, including a Medicaid waiver to be administered by DPHHS for premium assistance
 - HB 2 includes funding for Medicaid provider rate and direct care worker wage increases, Medicaid service expansions supported by increased tobacco taxes, and CHIP
 - Total appropriations made by the legislature to implement I-149 initiatives include:
 - \$20 million for the prescription drug program
 - \$14 million for provider rate increases and direct care worker wages
 - \$6.5 million for the Mental Health Services Plan (MHSP) and state match for the Health Insurance Flexibility and Accountability (HIFA) waiver
 - \$5 million for CHIP state match to maintain and expand enrollment to 13,900 children
 - \$4 million for Medicaid match
 - \$4 million for Medicaid services expansions, of which \$2 million is appropriated in HB 552 (expand children's eligibility for Medicaid)
- ◆ The 2007 biennium budget is \$502 million (22 percent) greater than the 2005 biennium budget, including a general fund increase of \$104 million (20 percent)
 - General fund growth is due primarily to caseload and service utilization changes
 - Reductions in the federal Medicaid match rate adds about \$36 million general fund difference between biennia
- ◆ The 2007 biennium budget is \$602 million (28 percent) greater than twice the 2004 base budget
 - \$54 million of the general fund difference between the base budget and the 2007 biennium appropriation is due to federal Medicaid match changes.
- ◆ The 2007 biennium legislative budget is \$89 million, including \$11 million general fund, greater than the executive budget request, primarily due to legislative initiatives that appropriated:
 - \$5 million more for direct care worker wages
 - \$2 million more for provider rate increases
 - \$2 million general fund more for Meals on Wheels and nonMedicaid in-home caregiver services
 - \$2 million appropriated in HB 552, which expanded Medicaid eligibility for children
- ◆ Legislative appropriations fund 67.45 new FTE, with the most significant changes being:
 - 10.00 regional FTE for adult and child mental health services
 - 10.00 FTE to enhance administration of Medicaid services
 - 9.00 FTE to administer the new prescription drug program
 - 8.00 FTE to implement federal requirements to evaluate the accuracy of Medicaid payments
 - 4.00 FTE to administer the tobacco use prevention and control program funded at the full level anticipated by voter initiative I-146

passed in November 2002

- Decreases of 35.00 FTE at Montana Development Center that partially offset the increase

Summary of Legislative Action

The 2007 biennium appropriation for DPHHS is \$602 million higher than twice the FY 2004 base budget. Most of the growth is in benefits and claims (\$490 million or 81 percent), which are expenditures that provide discreet, distinct services to individuals. As illustrated in Figure 1 the majority of the department funding (almost 80 percent) supports benefit and claims costs paid on behalf of individuals.

Medicaid services are the largest component of the benefits and claims appropriations, accounting for half of the general fund appropriated to the department. Personal services and operating costs, which each account for 9 percent of the department's budget, comprise the next largest category of expenditure.

General fund rises \$128 million (21 percent of the total increase) and state special revenue grows \$105 million (17 percent of the total). Growth in state funding for DPHHS is also primarily related to the change in benefits and direct services for individuals. General fund increases support:

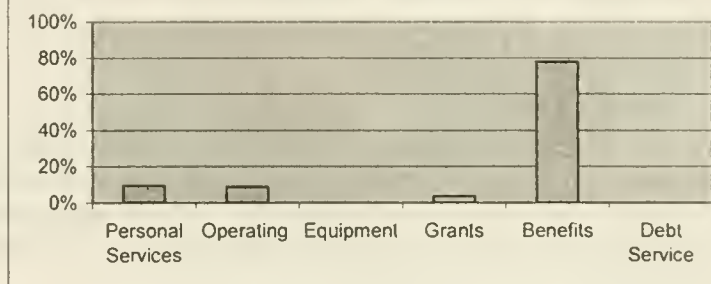
- Medicaid match rate changes - \$54 million
- Medicaid caseload and service utilization increases - \$41 million
- Provider rate and direct care worker wage increases - \$4 million
- Overtime, holiday, and shift differential pay and operating expense inflation at state institutions - \$8 million
- 2007 biennium pay plan increases - \$6.5 million

State special revenue increases are largely driven by appropriations to implement and support programs authorized by I-149, a voter passed citizen initiative to raise tobacco taxes and spend the proceeds on a variety of health and Medicaid initiatives. Appropriation of I-149 funding adds \$47 million over the 2007 biennium, or about 45 percent of the total growth in state special revenue appropriations. State special revenue increases support:

- Medicaid provider and direct care worker wage increases and service expansions - \$53 million, which includes \$25 million for the continuation of the hospital bed tax
- The new state pharmacy assistance program for low-income Montanans - \$20 million
- Annualization of FY 2005 nursing home bed day taxes and growth in the county contributions toward the nursing home intergovernmental transfer to use as state Match to increase nursing home reimbursement - \$8 million
- Expansion of the tobacco prevention and control program - \$8 million
- Maintenance of current CHIP enrollment (10,900) and expansion to 13,900 children - \$5 million
- 2007 biennium pay plan increases - \$1.3 million

Two other bills (HB 552 and HB 749) passed by the legislature add \$12 million in state special revenue appropriations that are not reflected in the main program table, but will be included in the FY 2006 base budget and annual appropriations for the 2009 biennium. Effective FY 2007, HB 552 raises the Medicaid asset limit from \$3,000 to \$15,000 per family to determine whether children in the family are eligible for Medicaid. HB 552 includes a \$2 million appropriation for the Medicaid state match, while the federal matching funds are included in HB 2. HB 749 continues and raises the daily nursing home fee that is used as state match to raise Medicaid nursing home rates. HB 749 includes appropriations of \$10 million in state special revenue and \$23 million in federal matching funds over the 2007 biennium.

Figure 1
Percent of Budget
By Category of Expenditure



Federal funds increase a net of \$369 million. While most of the increase in federal funding supports Medicaid service and rate increases, the reduction in federal match rate changes reduces federal Medicaid funding by \$54 million. Federal funding increases support:

- o Medicaid caseload, provider rate, and service expansions - \$210 million
- o Federal food stamp benefits - \$55 million
- o TANF benefits - \$20 million
- o Medicaid program administration - \$14 million
- o Maintenance and expansion of CHIP enrollment to 13,900 children - \$13 million
- o Federal public health categorical grants for such purposes as Women, Infant and Children (WIC) feeding program, emergency preparedness and chronic disease prevention - \$13 million
- o Childcare - \$9 million
- o Administrative costs that are allocated among federal funding sources, including funding for the 2007 biennium pay plan funding - \$9 million

Personal services funding rises \$31 million, about 5 percent of the budget increase, when the 2007 biennium is compared to twice the FY 2004 base and supports 32.25 new FTE.

Figure 2 shows the net changes in FTE throughout the department (an increase of 28.25 and 32.25 in FY 2006 and 2007, respectively). Ten of the new FTE will fill regional positions for adult and children's mental health. These FTE are expected to generate savings because they will help persons access the most appropriate level of services and help develop new community services. Additionally, 10.00 new FTE are added to assist in management of Medicaid services and are expected to generate savings in services costs.

Many of the new FTE added are supported by various federal grants including 13.00 FTE added to the Public Health and Safety Division, 0.20 FTE added to the Human and Community Services Division, and 7.0 FTE added to the Health Resources Division to develop a children's system of care. State special revenue supports 5.00 FTE added to the Public Health and Safety Division for the clinical lab and tobacco use prevention programs.

FTE in the Quality Assurance Division increase by 6.25 in FY 2006 and 8.25 in FY 2007 due to new functions that are mandated by state and federal regulation. The Health Resources Division FTE increases by 10.00 to accomplish various program analysis and oversight functions that are expected to reduce overall Medicaid spending and by 9.00 to implement the new state prescription drug program.

The legislature added 1.00 FTE to the Disabilities Services Division to provide a computer technician to assist blind and visually impaired individuals with adaptive technology and software. Additionally, 5.00 FTE were added to support the anticipated workload impacts of legislation including HB 552, HB 667 and SB 324

The FTE increases are partially offset by a decrease of 35.00 FTE in the Disability Services Division at the Montana Developmental Center in Boulder. The level of FTE required at the institution will decrease as 45 individuals are moved to community services and two units at the facility are closed as required by the settlement agreement in the Travis D. litigation.

Operating costs increase about \$65 million and comprise about 11 percent of the increase from the base budget. Operating cost increases are due to changes in professional and consulting fees, and \$1.6 million for the biennium for bed tax fees at the Montana Developmental Center. However, about \$20 million of the biennial increase is due to appropriations for contracts that provide direct and indirect services to individuals and the public in general. The legislature has directed the department to work in conjunction with the Department of Administration, legislative staff, and the Office of Budget and Program Planning to review state accounting guidelines with the goal of moving such types of expenditures out of the operating category of costs.

Grant appropriations rise about \$16 million over the biennium. The most significant appropriations for grant expenditures support:

- Child and Adult Food Care Program - \$2 million of federal funds
- Development and implementation of a system of care for children - \$2 million in federal funds
- Additional funds for Meals on Wheels and a new appropriation to support non Medicaid in-home caregiver services - \$2 million general fund
- Full funding for federal mental health block grant funds that were partially withheld since the state did not meet its full maintenance of effort in the base year budget - \$2 million federal funds
- Maintaining the MIAMI (low birth weight prevention) program - \$1 million general fund
- Increases for WIC - \$1 million federal funds
- Childcare services - \$1 million federal funds

Figure 2

Department of Public Health and Human Services
Summary of FTE Changes
2007 Biennium Appropriation

Program and Decision Package Title	FY2006	FY2007
Human/Community Services Division		
Child Care	0.20	0.20
Implement Provisions of HB 667	1.00	1.00
Implement HB 552, Medicaid Asset Test	3.00	3.00
Director's Office		
Tribal Staff	1.00	1.00
Public Health and Safety		
Tobacco Use Prevention Program	4.00	4.00
Statewide Emergency Preparedness	3.00	3.00
Libby Asbestos Program	2.00	2.00
Public Health Planner	1.00	1.00
Communicable Disease Monitoring	1.00	1.00
Environmental Public Health Tracking	1.00	1.00
Environmental Laboratory Chemist	1.00	1.00
Clinical Lab Specialist	1.00	1.00
Quality Assurance Division		
Medicaid Payment Error Rate Meas.	6.00	8.00
Implement Medical Marijuana Act	0.25	0.25
Disability Services Division		
Movement to Community	(35.00)	(35.00)
Computer Tech to Assist Blind	1.00	1.00
Health Resources Division		
State Pharmacy Program (SB 324)	9.00	9.00
Develop System of Care of Children	7.00	7.00
Regional Staff - Children's Mental Health	5.00	5.00
Medicaid Program Management	5.00	5.00
CHIP Program Expansion	2.00	2.00
Medicaid Cost Analysis	2.00	2.00
Medicaid Passport Services	2.00	2.00
Medicaid Pharmacy Program	1.00	1.00
Health Insurance Premium Assistance (HB 667)	1.00	1.00
Addictive and Mental Disorders Div.		
Regional Staff	3.00	5.00
Total	28.45	32.45

Implementation of Voter Initiative I-149

One of the most significant policy and appropriation issues considered by the 2005 Legislature was implementation of citizen Initiative 149 (I-149) in November 2004, which:

- Raised taxes on tobacco products, most notably a \$1 increase per pack of cigarettes
- Created the health and Medicaid initiatives account for receipt of tobacco tax revenues
- Established uses for I-149 revenues:
 - State matching funds to maximize enrollment of eligible children in CHIP
 - Need based prescription drug program for children, seniors, chronically ill, and disabled persons
 - Increased Medicaid services and Medicaid provider rates
 - Tax credits for small employers for assistance in providing health insurance to their employees

I-149 is codified in Title 53 Chapter 6 part 12, MCA.

The legislature passed two bills (SB 324 – prescription drug program and HB 667 – health insurance tax credits and premium assistance for small employers) to implement I-149 and made various appropriations in HB 2.

State Pharmacy Access and Prescription Drug Access

SB 324 embodies the components of I-149 (53-6-1201(3)(b), MCA) that allow for funding from the health and Medicaid initiatives account for a prescription drug program. DPHHS administers the program and SB 324 establishes the following program components:

- State pharmacy access to complement the new Medicare drug benefit (Part D)
- Pharmacy information access
- Pharmacy plus program

Total program expenditures are limited to the appropriated amounts, so DPHHS may have to establish enrollment limits for some program components. The legislature appropriated \$20 million state special revenue over the biennium from the health and Medicaid initiatives account (\$16 million) and rebates from drug manufacturers participating in the pharmacy plus program (\$4 million). The funding supports 9.00 new FTE and operating costs for program administration, but the lion's share of the appropriation (\$15 million) supports direct services to individuals. The \$5 million appropriation for administrative costs also includes the cost to provide pharmacy assistance to Montanans who telephone or visit the website that is to be established by DPHHS.

SB 324 also includes a provision requiring the Office of Budget and Program Planning (OBPP) to estimate the revenues for the health and Medicaid initiatives account by July 1 for each coming fiscal year of the biennium. If projected revenues are below the amount appropriated from the account, OBPP must notify DPHHS, and DPHHS must change the operating plan for the program to reflect the available revenue.

State Pharmacy Access Program

The state pharmacy program is designed to complement the new Medicare Part D drug benefit. Enrollment in the state program must be opened at the same time enrollment commences for the Part D benefit. Other program components include:

- Eligibility – family income up to 200 percent of the federal poverty level and individual must submit proof of enrollment in Medicare Part D
- Benefits – full or partial payment of the Part D premium and, depending on funding availability, payment of a portion of the deductible

Prescription Drug Information and Technical Assistance Program

SB 324 also establishes prescription drug and consumer information and technical assistance program in DPHHS to provide Montana residents with advice on the prudent use of prescription drugs and how to access government and private prescription drug programs and discounts. DPHHS is required to:

- Provide consultation by licensed pharmacists with individuals on how to avoid dangerous drug interactions and provide for substitution of more cost-effective drugs
- Create educational resources, including a website

Pharmacy Plus Discount Program

SB 324 also provides for use of health and Medicaid initiatives account funds for a pharmacy plus discount program (53-6-1002, MCA) if DPHHS determines that there are excess funds remaining from the appropriation for the Part D state pharmacy program. The pharmacy plus discount program:

- Provides discounted prices for prescription drugs for persons with incomes below 250 percent of the federal poverty level
- Allows establishment of a secondary discounted price for generic drugs, depending on funding availability
- Establishes a state special revenue account for receipt of drug rebate revenues from drug manufacturers participating in the program
- Limits program expenditures to available funding

Health Insurance Premium Assistance Program for Small Employers

HB 667 implemented a second important component of I-149 – assistance in providing health insurance for small employers by establishing:

- Tax credits for small employers purchasing health insurance
- A health insurance purchasing pool
- Premium assistance

The State Auditor will administer the program, which is discussed in greater detail in the Office of State Auditor, Volume 3 of the Fiscal Report. DPHHS received funding for 1.00 FTE to develop and implement a Medicaid waiver to provide premium assistance for low-income workers of small employers and federal matching funds in FY 2007 to help fund Medicaid services. The State Auditor will provide the necessary state match. In order to be eligible:

- Employers must have two to nine employees and not currently offer health insurance and begin to do so by:
 - Opting into the small employer health insurance purchasing pool or
 - Joining a qualified association plan
- Employees must not be eligible for Medicaid or CHIP and have incomes below 200 percent of the federal poverty level and meet the following criteria:
 - Uninsured adults ages 19 through 64 who have children under the age of 21
 - Youths age 18 to 21

HB 667 included the same amendments as SB 324 regarding adjustments of program operating budgets if revenue forecasts made by OBPP show that the funds received by the health initiatives and Medicaid account will be insufficient to fund the appropriations from the account.

HB 2 Appropriations for Medicaid, CHIP, and Other Services

The legislature also appropriated health initiative and Medicaid funds to support CHIP, Medicaid service expansions and provider rate increases, and other services. While the legislature accepted the executive proposals for Medicaid provider rate increases funded from I-149 funds, state match for CHIP and Medicaid services, and children's special health services, it also expanded provider rate increases, added funds for direct care worker wage increases, and expanded Medicaid eligibility for children, raising asset limits for a family from \$3,000 to \$15,000 (HB 552). Figure 3 shows each appropriation made from I-149 in HB 2 and HB 552. Appropriations marked with an asterisk are those added by legislative initiative.

Figure 3

Legislative Appropriation of I-149 Funds and General Fund to Delay Use of I-149 Until 1/1/06

Description of Appropriation, Agency, HB 2, and HB 552	Biennial Approp.		% of Ttl
	General Fund	I-149	I-149
APPROPRIATIONS IN HB 2 - DPHHS			
PRESCRIPTION DRUG PROGRAM - SB 324	\$0	\$15,750,000	26%
SMALL EMPLOYER PREMIUM ASSISTANCE - HB 667	0	34,574	0%
MEDICAID DIRECT CARE WORKER WAGE INCREASES			
Direct Care Worker Wage Increases			
Nursing Homes and Aging/Disabled Community	\$1,000,000	\$3,000,000	5%
DD Provider Wages - 25th to the 35th Labor Market Percentile	475,000	1,425,000	2%
Children's Mental Health Direct Care Worker Wage Increase	0	875,000	1%
Nursing Home/Community Services Direct Care Wage Initiatives	271,873	815,618	1%
Total Medicaid Direct Care Worker Wage Increase Proposals	\$1,788,940	\$6,115,618	10%
MEDICAID PROVIDER RATE INCREASES			
Rate Increases			
Nonhospital Service Provider Rate Increase; Dental Access	\$858,952	\$3,112,824	5%
3% Nursing Home/Community Services Provider Rate Increase	720,004	2,194,923	4%
Children's Mental Health 6% Rate Increase			0%
Physician Rate Increase to 85% of Medicare Rate	400,000	1,200,000	2%
EPSDT, Hospitals, Critical Access Hospitals, Ambulatory Surgical Centers	0	824,067	1%
Cardiac and Pulmonary Rehabilitation	0	177,215	0%
Total Medicaid Rate Increase Proposals	\$1,978,956	\$7,509,029	12%
MEDICAID SERVICE EXPANSIONS			
Raise Medicaid Asset Test - Children (Appropriation in HB 552)	0	1,876,316	3%
Home/Community Waiver Services for Mentally Ill Adults	0	631,601	1%
Expand Intensive Community Rehab. Beds by 7 - Adults	0	256,194	0%
Community Services Expansion (20 New Senior/Disabled Slots)	0	825,829	1%
Flexible Funds for Waiver for Seriously Emotionally Disturbed Children	0	50,000	0%
Subtotal Medicaid Service Expansions		3,639,940	6%
TOTAL MEDICAID RATE AND SERVICE EXPANSIONS FUNDED	\$1,978,956	\$11,148,969	18%
OTHER APPROPRIATIONS FROM I-149 FUNDS			
Mental Health Services Plan/HIFA Medicaid Match in FY 07	0	6,500,000	11%
Medicaid Matching Funds	0	3,976,371	7%
CHIP Enrollment Including Expansion to 13,900 Children	1,215,680	4,537,298	7%
Additional Clinic Children's Specialty Health Clinic	0	75,000	0%
TOTAL OTHER I-149 APPROPRIATIONS	\$1,215,680	\$15,088,669	25%
TOTAL I-149 RECOMMENDATIONS FUNDED FOR DPHHS	\$4,983,576	\$48,137,831	79%
APPROPRIATIONS IN HB 2 - STATE AUDITORS' OFFICE			
SMALL EMPLOYER PREMIUM ASSISTANCE - HB 667	\$0	\$7,570,376	12%
SMALL EMPLOYER TAX CREDITS - HB 667	0	5,176,330	9%
GRAND TOTAL APPROPRIATIONS	\$4,983,576	\$60,884,537	100%
SUBTOTAL LEGISLATIVE INITIATIVES	\$1,400,000	\$6,951,316	11%

Some appropriations for rate increases in Figure 3 include general fund. The legislature structured the appropriations from I-149 funds to delay use of revenues flowing into the health initiatives and Medicaid account so that the cash balance could reach \$25 million as quickly as possible. The Office of Budget and Program Planning also pledged to give Medicaid and CHIP appropriations highest priority in establishing the order in which appropriations would be funded from the health initiatives and Medicaid account if forecast revenues were insufficient to fund all appropriations from the account. OBPP delivered a letter stating such intent to the Senate Finance and Claims Committee and provided copies of the letter to the Legislative Finance Committee. In response to the pledge from OBPP, the legislature removed language from HB 2 making the appropriations for the following divisions contingent on implementation of provider rate and direct care worker wage increases by July 15, 2005: Health Resources, Disability Services, Senior and Long Term Care, and Addictive and Mental Disorders.

The legislature appropriated nearly \$61 from the health initiatives and Medicaid account. DPHHS received \$48 million appropriated in HB 2 and HB 552 (raise Medicaid eligibility for children). The State Auditor received about \$13 million for tax credits and other types of health insurance premium assistance for small employers.

The prescription drug and assistance program created by SB 324 received 26 percent, the largest share, of funding from the health initiatives and Medicaid account. Other types of expenditures and the funding each received are:

- Medicaid provider rate increases - \$7.5 million
- Mental Health Services Plan and state Medicaid match - \$6.5 million
- Medicaid direct care worker wage increases - \$6 million
- CHIP matching funds - \$4.5 million
- Medicaid services expansions (including HB 552) - \$4 million
- Medicaid matching funds - \$4 million

Medicaid Appropriations

Four different divisions within DPHHS administer Medicaid services and each receives separate appropriations. In total Medicaid services appropriations account for nearly \$1.5 billion of the 2007 biennium appropriation for DPHHS, including \$307 million general fund and \$85 million state special revenue for state matching funds. That figure includes appropriations for Medicaid eligibility expansion for children made in HB 552 and appropriations for increased nursing home daily bed taxes and matching funds made in HB 749. However, that amount does not include nearly \$57 million in federal reimbursement for Medicaid eligible services provided by state institutions.

Figure 4 shows the total base budget for Medicaid services, including each component of the change to services and the biennial amounts added for those changes. The majority of appropriation increases made by the legislature support caseload increases, which include growth in the number of persons eligible, higher service utilization, and pharmacy inflation. In fact, caseload and service utilization changes anticipated during FY 2006 and FY 2007 constitute 14 percent of the total 2007 biennial appropriation.

Figure 4
Appropriations for Medicaid Services for the 2007 Biennium by Type of Change

Component of Medicaid Appropriation	General Fund	SSR	Federal	Total	Percent of Total
FY 2004 Base Budget (Doubled)	\$215,605,764	\$30,949,000	\$834,919,759	\$1,081,474,523	74%
Caseload, Service Utilization, Inflation	41,001,573	7,843,911	158,428,863	207,274,946	14%
Rate Increases	2,022,510	33,730,766	82,187,873	117,941,148	8%
Service Expansions	3,036,511	7,048,481	29,601,535	39,686,526	3%
Direct Care Worker Wage Increases	1,726,180	4,906,182	13,754,597	20,386,958	1%
Federal Match Rate Reductions	53,904,756	155,915	(54,060,671)	0	0%
Efficiencies and Reductions	(4,148,559)	0	(8,706,498)	(12,355,057)	-1%
Subtotal Biennial Increases	\$97,542,970	\$53,685,254	\$221,205,698	\$372,934,522	26%
Total 2007 Biennium Appropriation	\$313,148,734	\$84,634,254	\$1,056,125,457	\$1,454,409,045	100%

After several biennia with few provider rate increases, the 2005 Legislature approved \$118 million in rate increases and another \$20 million for direct care worker wage increases. Together these increases constitute 9 percent of the 2007 biennial Medicaid appropriation.

Service and eligibility expansions add \$40 million and are 3 percent of the total biennial appropriations. The most significant expansion is \$17 million in state special revenue and federal funds for the Health Insurance Flexibility and Accountability (HIFA) waiver approved by the legislature.

Changes in the federal match rate increase general fund by nearly \$54 million and reduce federal funds by a like amount. Efficiencies and cost savings reduce total Medicaid appropriations by \$12 million total funds and \$4 million general fund.

Medicaid Redesign

The 2003 Legislature adopted HJ 13, which requested that DPHHS undertake a study that would examine the various options available for redesigning the Montana Medicaid program, the Mental Health Services Plan (MHSP), the state Children's Health Insurance Program (CHIP), and other health programs administered by the department. HJ 13 also requested that DPHHS involve tribes in the redesign process; report periodically legislative interim committees; and prepare a report for the 2005 Legislature outlining options that may be undertaken to redesign the health programs administered by DPHHS.

The Governor appointed a 20-member advisory council (Governor's Health Care Advisory Council), which met several times and made 18 recommendations, including the recommendation to memorialize the work of the Council by placing in statute requirements to review progress on implementation of redesign recommendations.

DPHHS adopted all but one recommendation and prepared legislative and budget requests for the 2005 session. The legislature adopted all but one redesign proposal and added appropriations as requested by the executive.

HIFA Waiver

One of the most important fiscal and programmatic components of the redesign recommendations is the Health Insurance Flexibility and Accountability (HIFA) waiver. This type of waiver was promulgated by the Bush administration and does not exist in federal rule or in Title XIX of the Social Security Act. A HIFA waiver must:

- Include an expansion of health care benefits for the uninsured
- Include a public/private partnership
- Be cost neutral over the five year life of the waiver (i.e. cost no more in federal Medicaid funds than would have been paid without the waiver)

Use of Existing State Funds to Leverage More Federal Medicaid Match and Expand Health Care Services

The HIFA waiver approved by the legislature would "refinance" 100 percent state funded services by including those services and persons eligible for them in the state Medicaid program, and using the state funds for those programs as state match to draw down additional federal Medicaid funds. The proposal approved by the legislature will use about \$3.5 million state funds to generate an additional \$13 million in federal Medicaid funds for expansions in health services.

The HIFA waiver will include portions of the services provided by and the funding for the Mental Health Services Plan (MHSP) and the Montana Comprehensive Health Association (MCHA). MHSP provides prescription drugs and some other services to adults with a serious and disabling mental illness who have incomes under 150 percent of the federal poverty level. The MCHA provides insurance or premium assistance to some persons who have been denied health insurance coverage.

The source of state funding for these programs is tobacco taxes and tobacco settlement proceeds. MCHA receives a portion of tobacco settlement revenue allocated by 17-7-606, MCA. MSHP is funded with tobacco tax revenue generated by passage of I-149.

HIFA Waiver Health Services Expansion

The expansion of health services in the HIFA waiver includes:

- MHSP – add physical health benefit and "refinance" prescription costs for 2/3 of MHSP recipients without other health insurance
- MCHA – expand premium assistance program and/or raise premium assistance (recently declined from 55 percent to 45 percent)
- Add services for up to 300 children with serious emotional disturbance (SED) transitioning to adult services
- Expand CHIP type coverage
 - Expansion potentially funded with Medicaid funds rather than using federal CHIP grant
 - Number of additional children served undetermined at this time
- Assistance for low-income working adults transitioning off Medicaid

- Number of additional adults served undetermined at this time
- Sometime within the five-year life of waiver, partnership with employers for premium assistance

Cost Neutrality for Federal Government

All waivers of federal Medicaid regulations must be cost neutral to the federal government, meaning that over the lifetime of the waiver, the federal Medicaid cost must be no greater than it would have been without the waiver. The Montana HIFA waiver must be cost neutral over a five year time period. If it is not, the state must repay excess cost of the federal government. Cost neutrality considerations constrained some of the HIFA expansions originally considered.

At this point in time, DPHHS will be allowed to use cost savings generated by an existing waiver that allows Montana to offer a “basic” package of Medicaid services to adults in the FAIM program, rather than all federally required Medicaid services. Additional cost neutrality components of the proposed waiver rely on the “logic” that Montana could have made other groups eligible for full Medicaid, but chose to limit benefits thereby saving federal funds. Finally, there will be a per person per month cap on the growth in Medicaid costs for populations covered by the waiver. If cost growth exceeds this cap, then service reductions or other changes in the waiver could be made to ensure cost neutrality.

The legislature passed SB 110 to implement the HIFA waiver and appropriated about \$17 million in FY 2007 to support the waiver.

Other Major Redesign Proposals

Several other redesign proposals were considered and approved by the legislature. While the HIFA proposal is the most complex, other proposals, including additional Medicaid waiver proposals, are significant public policy issues.

Waiver of “Deeming”

The legislature approved the DPHHS appropriation for \$100,000 state special revenue and its request to implement a waiver of deeming, which means that parental income and assets are not considered in determining whether a child is eligible for Medicaid. Montana already has two such waivers. One provides services to children who are developmentally disabled and the other provides services to children who are physically disabled. The proposed third waiver would be used to provide services to seriously emotionally disabled (SED) children.

All children in these waivers are entitled to regular medical state plan Medicaid services. In addition, the waiver allows home and community based services that are not typically covered by Medicaid. For example, respite services for parents who care for disabled children can be covered in a waiver.

This waiver will also establish some type of cost share for families, based on their ability to pay. The cost sharing will be applied to all waivers and not just the new proposal to cover SED children.

Dollar for Dollar Waiver

The legislature also approved the executive proposal to continue to review and potentially implement a dollar for dollar waiver that allows persons who purchase long-term care insurance to retain assets when eligibility for Medicaid nursing care services is considered. Under this concept, an amount of resources equal to the value of insurance paid out to the individual is disregarded in Medicaid eligibility determination. For instance, if the individual were to receive \$10,000 of long-term care insurance payout, \$10,000 of assets would be disregarded in determining financial eligibility.

Waiver to Sever Indian Health Services (IHS) from State Medicaid Plan

IHS is reimbursed with 100 percent federal funds for Medicaid covered services provided to Medicaid eligible persons. However, only services allowed by the Montana state Medicaid plan are eligible for reimbursement.

During the 2003 biennium there were several changes to the state Medicaid plan that eliminated certain services from the state plan in order to avoid cost over runs and to limit general fund costs. Those actions also eliminated Medicaid reimbursement to IHS for those services.

The legislature passed HB 452 to allow DPHHS to attempt to sever the link between the Medicaid state plan and Medicaid eligible reimbursement for IHS services for two basic reasons:

- 1) IHS Medicaid reimbursement is 100 percent federal
- 2) Limiting or eliminating coverage of certain Medicaid services can shift the cost to limited IHS funds or higher cost state plan services, which are partially state funded (30 percent general fund state match)

Other Redesign Recommendations

There are several other redesign recommendations including:

- 1) Enhance third party collections – DPHHS has undertaken efforts to determine whether Medicaid costs for some persons can be partially or fully offset by other insurance coverage that those persons may have such as private insurance and Medicare.
- 2) Develop a strategic plan for adult mental health services – The redesign process emphasized the need for and commitment to a long-term strategic plan for adult mental health services.
- 3) Medicaid eligibility field review – DPHHS initiated a review of Medicaid eligibility determination to ensure that field staff applies Medicaid eligibility criteria consistently and according to state and federal policies.
- 4) Implement pharmacy cost containment – DPHHS has undertaken several measures to reduce pharmacy cost growth, including establishing a preferred drug list, including actions such as:
 - o Examining the potential of developing an evidence-based drug program to work in coordination with the preferred drug list
 - o Exploring the feasibility of developing a state drug discount program
 - o Examining the potential for re-importation of drugs from other countries
 - o Pending the request of I.H.S or the tribes, seek mechanisms, including, if necessary, a 1915(b) freedom of choice waiver, to insure that IHS-eligible Medicaid participants on reservations have their prescriptions filled at IHS or tribal facilities

Look Back Period for Medicaid Eligibility

States are required by federal regulations to review transfers of assets for three years previous to the application for Medicaid eligibility. Certain asset transfers made to artificially impoverish a Medicaid applicant are illegal. The Governor's Health Care Advisory Council recommended that DPHHS request federal approval to extend the look back period to 5 years rather than 3.

Asset transfers are usually considered in conjunction with estate planning in order to protect family assets. Since nursing home services can quickly deplete assets, some persons shift the costs of their long-term care to Medicaid. The average Medicaid cost for a person in a nursing home is \$36,000 per year, not including one-time rate enhancements

HB 117 was introduced to allow DPHHS to request and implement a Medicaid waiver to extend the look back period to 5 years. However, the legislature did not pass the bill.

Medicare Modernization Act (MMA)

The fiscal, policy, workload, and human impacts related to the new Part D Medicare prescription drug benefit were other important issues considered by the legislature. The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) was signed into law in December 2003. The most significant change due to passage of the MMA is the addition of an outpatient prescription drug benefit (Part D) for Medicare beneficiaries. Despite state and federal implementation issues, outpatient drug assistance is a significant benefit for Medicare beneficiaries. To date, there are many undefined aspects of the MMA, including the underlying data needed to calculate the fiscal effects.

The MMA initiates one of the most fundamental changes to Medicare in recent history – the addition of a prescription drug benefit. The Part D benefit will be implemented January 1, 2006, so MMA requirements for state administrative duties, payments for retiree coverage, and cost sharing will be effective for three quarters of the 2007 biennium. The 2005 Legislature dealt with several impacts of the MMA that are common to all states. At this point, is not possible to tell whether Montana will experience a net gain or loss in general fund costs due to offsetting aspects of the MMA.

Impacts to States

The major state fiscal and public policy issues considered by the legislature were:

- General fund savings due to federal assumption of prescription costs for some Medicare eligible persons currently eligible for and receiving Medicaid or Mental Health Services Plan (MHSP) prescription drug benefits
- General fund cost of state payments to the federal government for the Medicaid drug cost savings (the "clawback")
- Increased Medicaid costs due to new enrollees discovered during Part D outreach (the "wood work effect")
- General fund costs if the state opts to provide a "wrap around" benefit for potential or known Medicare prescription coverage gaps
- Administrative and workload impacts to provide low-income eligibility determination, beneficiary education, grievance resolution, and coordination with the Social Security Administration
- Potential for federal reimbursement of 28 percent of allowable costs for state health plan insurance coverage for drugs for Medicare eligible employees and retirees

Each of these issues was discussed in greater detail in the agency budget analysis written previous to the convening of the legislature. Very few changes related to the MMA occurred during the session. When the session adjourned many of the impacts of the MMA were still not quantifiable, but the legislature did take some actions.

Legislative Response

The legislature requested that DPHHS provide periodic reports to the Legislative Finance Committee to track workload and fiscal issues related to the MMA.

The Montana legislature passed SB 324, discussed in relationship to implementation of initiatives included in I-149. SB 324 established a program to assist persons in paying Part D premiums, and potentially to help pay part of the co-payments for drugs, depending on funding availability.

The legislature did not reduce appropriations for Medicaid pharmacy assistance or for drug assistance provided by the Mental Health Services Plan. Nor did the legislature add staff or funds for potential workload increases.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	\$ 52,369,112	\$ 2,067,896	\$ 402,673,162	\$ 457,110,170	16.70%
03 Child & Family Services	52,388,305	3,767,102	55,835,638	111,991,045	4.09%
04 Director'S Office	2,314,248	601,787	19,948,983	22,865,018	0.84%
05 Child Support Enforcement	2,586,463	4,079,326	13,558,074	20,223,863	0.74%
06 Fiscal Services Division	4,456,018	720,148	6,804,094	11,980,260	0.44%
07 Public Health & Safety Div.	4,162,520	22,534,803	87,109,732	113,807,055	4.16%
08 Quality Assurance Division	4,595,686	549,588	11,804,602	16,949,876	0.62%
09 Operations & Technology	17,922,817	2,398,337	34,834,973	55,156,127	2.02%
10 Disability Services Division	93,734,752	4,190,928	164,146,241	262,071,921	9.58%
11 Health Resources Division	203,100,159	73,047,429	748,347,229	1,024,494,817	37.44%
22 Senior & Long-Term Care	98,135,562	45,666,479	312,795,284	456,597,325	16.68%
33 Addictive & Mental Disorders	88,788,343	18,376,831	76,220,154	183,385,328	6.70%
Grand Total	\$ 624,553,985	\$ 178,000,654	\$ 1,934,078,166	\$2,736,632,805	100.00%

DPHHS is funded by general fund, state special revenue, and federal funds. The percentage of general fund remains relatively constant, providing about 23 percent of the FY 2004 base budget and through the 2007 biennium budget, although general fund outlays grow nearly \$128 million in the 2007 biennium. General fund changes are primarily related to Medicaid match rate changes and to Medicaid caseload and service utilization changes.

State special revenue increases from 3 to 7 percent of the total budget over the same time period and federal funds decrease from 73 to 70 percent. The two most significant increases in state special revenue are due to the appropriation of tobacco tax state special revenue (I-149) and appropriations for continuation of the hospital bed tax. Additionally, \$12 million in one-time expenditures supported by a diversion of tobacco settlement proceeds, which terminated at the end of the 2005 biennium, were removed from the base budget, but the full amount of tobacco settlement revenue is appropriated over the 2007 biennium for the purposes originally established in 17-6-606, MCA.

Federal funds support about 70 percent of the 2007 biennium appropriation for DPHHS. Federal funding is allocated among more than 140 individual funding sources. Figure 5 shows 14 federal funding sources that contribute more than \$13 million over the biennium. Together Medicaid and food stamp federal appropriations are \$1.3 billion and constitute over 51 percent of the total 2007 biennium appropriation for DPHHS. Another significant source is the federal indirect cost pool funds to pay a share of overhead costs that must be distributed among funding sources. If costs assigned to the Medicaid and food stamp programs, as well as other federal funding sources, were disaggregated from the indirect pool, the percentage of total funding attributed to individual federal sources would rise. Federal funding sources that contribute less than \$13 million over the biennium account for the remaining 4 percent of total biennial appropriations.

Figure 5
Major Federal Appropriations for DPHHS - 2007 Biennium

Federal Source	Biennial Amount	Total DPHHS 2007 Biennium Appropriation	
		Percent	Cumulative
Medicaid Services and Administrative Match	\$1,183,991,679	43%	
Food Stamp Benefits, Outreach and Direct Administration	211,393,997	8%	51%
Cost Allocated Administrative Costs	98,640,486	4%	55%
Temporary Assistance for Needy Families (TANF) Grant	65,659,783	2%	57%
Childcare Funding	43,732,874	2%	59%
CHIP Federal Matching Funds	40,123,578	1%	60%
Low-income Energy Assistance/Weatherization	30,748,385	1%	61%
Women, Infants, Children (WIC) Feeding Program	28,057,196	1%	62%
Foster Care/Subsidized Adoption Matching Funds	25,437,197	1%	63%
Vocational Rehabilitation	21,458,000	1%	64%
Bioterrorism/Hospital Emergency Preparedness	19,702,846	1%	65%
Child and Adult Food Care Program	19,281,877	1%	65%
Addiction Treatment and Prevention Block Grant	13,855,505	1%	66%
Child Support Enforcement Matching Funds	13,413,366	0%	66%
Balance of Federal Funding for DPHHS	118,581,397	4%	70%
Total Biennial Federal Appropriations for DPHHS	\$1,934,078,166		
Total DPHHS Biennial Appropriation	\$2,736,632,805		

Biennial Budget Comparison

General fund support for the department increases 20 percent or \$104 million when the 2005 and 2007 biennia are compared (Figure 6). This growth is primarily due to:

- Increases in state match for Medicaid because of:
 - Discontinuation of the enhanced federal Medicaid rate
 - Reductions in the federal Medicaid rate that are expected in FY 2006 and 2007
- Medicaid service utilization and eligibility increases
- Provider rate and direct care worker wage increases, primarily for Medicaid services providers

Figure 6
2005 Biennium Compared to 2007 Biennium
Department of Public Health and Human Services

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	2,755.01	2,787.46		32.45	
Personal Services	\$233,244,240	\$259,063,023	5.1%	\$25,818,783	11.1%
Operating	175,929,841	242,317,664	13.2%	66,387,823	37.7%
Equipment	2,196,210	924,710	-0.3%	(1,271,500)	-57.9%
Capital Outlay	28,398	0	0.0%	(28,398)	-100.0%
Grants	87,121,936	100,467,441	2.7%	13,345,505	15.3%
Benefits/Claims	1,735,176,425	2,132,662,355	79.2%	397,485,930	22.9%
Debt Service	1,102,971	1,197,612	0.0%	94,641	8.6%
Total Costs	\$2,234,800,021	\$2,736,632,805	100.0%	\$501,832,784	22.5%
General Fund	\$520,511,199	\$624,553,985	20.7%	\$104,042,786	20.0%
State Special	86,194,813	178,000,654	18.3%	91,805,841	106.5%
Federal Funds	1,628,094,009	1,934,078,166	61.0%	305,984,157	18.8%
Total Funds	\$2,234,800,021	\$2,736,632,805	100.0%	\$501,832,784	22.5%

- Overtime, holidays worked, and shift differential pay for state institutions

State special revenue support for the department increases almost 107 percent due primarily implementation of I-149 and appropriation of tobacco settlement revenues that were removed from the base budget as one-time expenditures.

Federal funds increase due to increases in caseload primarily for Medicaid services and administration (\$76 million) and food stamp benefits (\$59 million). Increases in federal categorical grants and receipt of several new grants also contribute to the federal funding growth.

The cost of benefits and claims rises 23 percent when the two biennia are compared, primarily due to caseload increases for programs such as food stamps, Medicaid, TANF, childcare, foster care, and subsidized adoption programs. Grant costs increase 15 percent over the same time period due to increases in the child and adult food care program and various categorical grants. Operating costs increase \$66 million (38 percent) due to increases in consulting and professional services and taxes (\$1.6 million for MDC bed day utilization fee).

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	2,755.01	2,729.18	2,783.46	54.28	2,739.18	2,787.46	48.28	
Personal Services	114,038,582	120,631,095	126,500,603	5,869,508	121,118,082	132,562,420	11,444,338	17,313,846
Operating Expenses	88,621,395	107,939,128	118,194,161	10,255,033	110,527,290	124,123,503	13,596,213	23,851,246
Equipment	376,355	512,355	512,355	0	412,355	412,355	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	42,470,810	48,094,243	50,464,243	2,370,000	49,393,198	50,003,198	610,000	2,980,000
Benefits & Claims	821,366,107	1,009,087,797	1,045,983,945	36,896,148	1,078,982,869	1,086,678,410	7,695,541	44,591,689
Transfers	0	0	0	0	0	0	0	0
Debt Service	598,806	598,806	598,806	0	598,806	598,806	0	0
Total Costs	\$1,067,472,055	\$1,286,863,424	\$1,342,254,113	\$55,390,689	\$1,361,032,600	\$1,394,378,692	\$33,346,092	\$88,736,781
General Fund	248,448,589	302,608,283	310,698,339	8,090,056	311,302,363	313,855,646	2,553,283	10,643,339
State/Other Special	36,553,605	84,714,613	89,115,514	4,400,901	94,497,420	88,885,140	(5,612,280)	(1,211,379)
Federal Special	782,469,861	899,540,528	942,440,260	42,899,732	955,232,817	991,637,906	36,405,089	79,304,821
Total Funds	\$1,067,472,055	\$1,286,863,424	\$1,342,254,113	\$55,390,689	\$1,361,032,600	\$1,394,378,692	\$33,346,092	\$88,736,781

The legislative budget is about \$11 million general fund and \$80 million federal funds greater than the executive budget request and \$1 million state special revenue less than the executive budget request. The most significant difference between the legislative and executive budget is due to legislative initiatives that add about \$7 million in general fund and \$7 million in state special revenue for various legislative-spending priorities. The legislature requested that the narrative accompanying HB 2 stress that these initiatives were formed after review of the executive budget request, public testimony, and requests from other stakeholders and constituents, and consideration of issues raised by legislative staff, and that the priorities reflected what legislators deemed to be important and necessary additions to the executive budget proposal.

Figure 7 shows the legislative initiatives, including the biennial appropriations of general fund or state special revenue (I-149 tobacco tax increase revenue) by type and purpose of expenditure as well as the sources of revenue that were identified to support the increases.

The Health and Humans Services Joint Appropriation Subcommittee identified about \$14 million in additional general fund revenue above the level included in HJR 2, the revenue resolution, and used \$7 million to fund initiatives it considered important. The legislature added state funds in five primary areas:

1. Direct care worker wage increases
2. Provider rate increases
3. Service and eligibility expansions
4. Funding switches to allow increases in monthly cash assistance levels
5. Staff and operating costs to either enhance revenue or increase efficiency and appropriate use of services

Appropriations for direct care worker wages are the largest single legislative initiative, increasing appropriations by nearly \$5 million above the executive request. Wage increases are appropriated for direct care workers in nursing homes, home and community based services for aged and disabled persons, and for children's mental health providers. Language was added in HB 2 restricting these appropriations for direct care worker wage increases with the legislative intent that wages be raised 75 cents an hour and benefits be raised 25 cents an hour. If appropriation amounts are insufficient to fund the total intended increase, lowest paid workers' wages are to be raised first. The legislature also

added a reporting requirement so that legislators could review documentation regarding initial and increased wages throughout the biennium and monitor implementation of the appropriation.

Provider rate increases for Medicaid physician rates, foster care parents, and foster care group homes are \$2 million greater than the executive budget request. The legislature wanted to ensure access to primary care physicians for Medicaid eligible persons to provide the best preventive, effective care in the most cost efficient setting. Foster care parents and group home rate increases were made to address concerns raised by foster parents and foster care providers during public testimony regarding the adequacy of reimbursement rates.

Figure 7

Legislative Initiatives - Appropriations and Revenue to Fund Initiatives		
Appropriations/Revenue Sources	Biennial Amount	
	General Fund	I-149
APPROPRIATIONS		
Direct Care Worker Wage Increases - 75 Cents an Hour Plus Benefits at 25 Cents an Hour		
Nursing Homes and Aging/Disabled Community	\$1,000,000	\$3,000,000
Children's Mental Health	0	750,000
Subtotal Direct Care Worker Wage Increases	\$1,000,000	\$3,750,000
Provider Rate Increases		
Physician Rate Increase to 85% of Medicare Rate	\$400,000	\$1,200,000
Foster Care Parents 4%	384,000	0
Foster Care Group Homes 4%	204,000	0
Subtotal Rate Increases	\$988,000	\$1,200,000
Eligibility and Service Increases		
Raise Medicaid Asset Test - Children (Appropriation in HB 552)	\$0	\$1,876,316
In-Home Caregiver Services - Local Agency Grants*	600,000	0
Meals on Wheels*	500,000	0
Energy Ombudsman Services*	600,000	0
Extended Employment - Follow Along	280,000	0
Extended Employment - Sheltered	140,000	0
Independent Living	200,000	0
Part C	180,000	0
Subtotal Eligibility and Service Increases	\$2,500,000	\$1,876,316
Funding Switch to Support TANF Benefit Increase		
Child Care	\$2,400,000	\$0
Subtotal Funding Switch for TANF Benefit Increase	\$2,400,000	\$0
Operating Costs, Including Funding for Staff		
Computer Specialist for the Blind	\$130,000	\$0
Tribal Staff	52,000	0
Subtotal Operating Costs, Staff	\$182,000	\$0
Total Appropriations	\$7,070,000	\$6,826,316
REVENUE TO SUPPORT APPROPRIATIONS - NOT INCLUDED IN HJR 2		
LIEAP Proposal - Executive Budget Reduced	\$7,400,000	\$0
Additional Income Tax - Tax Compliance Auditors	3,600,000	0
I-149 Funds in Excess of Executive Request	0	2,400,000
Revised Executive Medicaid Estimates	1,800,000	0
Estimated I-149 Revenues Above Executive Request	0	1,400,000
Displaced Homemaker Funding Switch	400,000	0
Medicaid Savings due to Added Management Staff and Other	500,000	0
Legislative Funded Initiatives		
Income Tax Increase due to State Employee Pay Plan	200,000	0
Income Tax Increase due to Direct Care Worker Wage Increases	100,000	0
Savings in Legislative Travel/Council of State Government Dues	150,000	0
Total Revenue	\$14,150,000	\$3,800,000
Revenue Over (Under) Increases	\$7,080,000	(\$3,026,316)
GENERAL FUND ALLOCATED TO I-149 PROPOSALS		
General Fund Reallocated from Legislative Initiatives to Offset	\$1,700,000	
First 6 Months of Cost of Proposals in Executive Budget and Legislative Initiatives		
General Fund In Excess of Legislative Initiatives	\$5,380,000	
*These appropriations are one-time only.		

Eligibility and service increases add \$4.5 million. Raising the asset limit for Medicaid eligibility for children (from \$3,000 per family to \$15,000) was enacted in HB 552. It will extend health coverage to an estimated more 3,800 children.

Two appropriations were made to support community services for the elderly and disabled provided by local, non-state entities. In-home caregiver services and Meals on Wheels appropriations are one time only and will support services that help persons remain in their own homes and in the community.

The legislature provided \$0.6 million general fund for the biennium to support energy ombudsman or case management-type services at Human Resource Development Councils to assist low-income individuals seeking emergency energy assistance.

Four appropriations were made to support services for the disabled – Part C Early Intervention, independent living, and two for extended employment. The extended employment appropriations will serve about 60 individuals or one-half the waiting list in follow-along services and 10 individuals or one-half the waiting list in sheltered work services. Appropriations for independent living will provide services to an additional 78 individuals in the eastern Montana region that includes six reservations. Funds for Part C Early Intervention will fund family support and education services for 18 more young children with disabilities.

The legislature made a funding switch moving funds for some childcare from federal TANF (Temporary Assistance for Needy Families) funding to general fund. The funding switch was made in order to increase monthly cash assistance benefit levels. It is estimated that this \$2.4 million increase in cash assistance funding is adequate to increase the average monthly benefit level for a family of three by about \$50 per month.

Funds appropriated to support FTE and operating costs that provide direct support for persons account for less than 3 tenths of 1 percent of the legislative initiatives explained in Figure 7. The computer specialist for the blind will assist blind and visually impaired individuals in usage of computer technology adapted to their needs. The tribal program staff will assist Indian Health Services (IHS) providers in claiming allowable federal Medicaid pass through funds in order to extend IHS funding for persons who are not Medicaid eligible or for services that are not Medicaid eligible.

Finally, the legislature allocated \$1.7 million general fund to offset I-149 appropriations it accepted from the executive proposal and from its own initiatives to delay expenditures of the majority of I-149 appropriations until January 1, 2006. That action was taken to develop a reserve balance in the health initiatives and Medicaid state special revenue account to help sustain new programs funded from the account. The legislature added language to HB 2 delaying expenditures from certain I-149 appropriations until December 1, 2005, or until the health and Medicaid initiatives state special revenue account reached a \$25 million balance. The legislature also amended 53-6-1201(4), MCA and imposed the following requirements on both the prescription drug program (SB 324) and the premium assistance and tax credits for health insurance costs for small employers (HB 667):

“On or before July 1, the budget director shall calculate a balance required to sustain the program in subsection (3)(b) for each fiscal year of the biennium. If the budget director certifies that the reserve balance will be sufficient, then the department may expend the revenue for the program as appropriated. If the budget director determines that the reserve balance of the revenue will not support the level of appropriation, the budget director shall notify the department. Upon receipt of the notification, the department shall adjust the operating budget for the program to reflect the available revenue as determined by the budget director.”

The legislature identified funding to support each of the legislative funding initiatives. The fund source and rationale for applying it to the legislative initiatives is:

- o LIEAP – a reduction of \$7.4 of the \$8.4 million general fund appropriation for Low Income Energy Assistance (LIEAP) that was included in the executive budget request
- o Tax compliance auditors funded in the Department of Revenue – an estimate of the additional income tax revenue that would be generated due to addition of audit staff (not included in HJ 2)
- o Revised Medicaid estimates – the executive budget request was changed twice in February 2005 for revised Medicaid estimates; the second estimate was \$1.8 million general fund lower than the first request

- I-149 funds in excess of executive request – HJ 2 revenue estimates of I-149 tobacco tax revenue are higher than the funds requested in the executive budget
- Displaced homemaker funding switch – the executive budget originally requested general fund and then switched its request to ESA (Employment Security Account) state special revenue, freeing up the general fund
- Medicaid savings – the legislature added management analyst staff to the Medicaid program and to assist IHS in claiming allowable reimbursements; additional staff will allow the department to reduce Medicaid services costs due to efficiencies and provision of appropriate care
- Income tax increases not in HJ 2 – state employee pay plan raises and direct care worker wage increases are estimated to enhance income tax collections
- Savings in travel and dues – the legislature did not approve dues for the Council of State Governments

Some of the remaining difference between the legislative and executive budgets, after consideration of legislative initiatives, is due to approval of revisions by the executive for updated Medicaid caseload projections and state match funding requests which added \$6 million total funds, including about \$2 million general fund and nearly \$3 million in tobacco tax state special revenue (I-149). Additionally, the legislature approved additional state special revenue (\$23 million) for anticipated increases in the hospital inpatient bed day tax due to passage and approval of SB 120.

Some of these increases were partially offset by withdrawal of some executive proposals totaling \$8 million over the biennium. The requests that were withdrawn include:

- \$1 million in private donation state special revenue and \$4 million in federal matching funds for the Children's Health Insurance Program (CHIP)
- \$2 million in state special revenue to support expansion of the nurse first call in service (no private companies expressed an interest in participating in the contract)
- \$1 million in federal funds for CHIP match to provide funding for mental health services for seriously emotionally disturbed children

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"Appropriation for Human and Community Services Division, Child and Family Services Division, Director's Office, Child Support Enforcement Division, Fiscal Services Division, Public Health and Safety Division, Quality Assurance Division, Operations and Technology Division, Disability Services Division, Health Resources Division, Senior and Long-Term Care Division, and Addictive and Mental Disorders Division include over \$70 million annually to support contracts with local, nonstate public and private entities that provide either discreet, distinct services and benefits directly to individuals or broad direct and indirect public benefits to the citizens of Montana. These appropriations have been made as requested by the department in either the operating category of expenditure or the grants category of expenditure. The department is directed to work with the department of administration, the legislative branch, and the office of budget and program planning to help establish accounting guidance that allows the executive branch to more consistently and uniformly account for appropriations that provide direct and indirect benefits to persons. The department and department of administration shall report to the legislative finance committee and members of the 2005 legislative joint appropriations subcommittee on health and human services by September 1, 2005, and every 6 months thereafter until completion of the project

Rate increases and services funded in Direct-Care Worker Salary Increase from 25th to 35th Percentile, Physician Rate Increase, Nonhospital Provider Rate Increase, Dental Access, Direct-Care Worker Wage Increase, and Provider Rate Increase – Nursing Home and Community Services should be established and implemented at levels that will fully expend the appropriations beginning no later than July 15, 2005, and ending June 30, 2007. Rate increases should be structured so that funding in Direct-Care Worker Salary Increase From 25th to 35th Percentile, Physician Rate Increases, Non hospital

Provider Rate Increase, Dental Access, Direct-Care Worker Wage Increase, and Provider Rate Increases—Nursing Home and Community Services is expended incrementally throughout the 2007 biennium.”

Other Legislation

Major bills that affect DPHHS are summarized. Some of these bills are discussed in more detail in the agency narrative or within the program narrative.

Senate Joint Resolution 41 - SJR 41 requests an interim legislative study of the mental health crisis response system. The study received a ranking high enough to be undertaken by the Interim Children And Families Committee during the 2007 biennium.

House Bill 5 – HB 5 appropriates funds for capital projects. Several projects for the department were approved including:

- Montana Developmental Center, housing for individuals with high-risk behaviors, \$2,529,290
- Demolish abandoned buildings, \$1,741,250
- Facility improvements, Montana State Hospital, \$592,523
- Facility improvements, Montana Developmental Center, \$218,044
- Stabilize old administration building, Montana Developmental Center, \$179,100
- Special care unit renovations, Eastern Montana Veterans’ Home Glendive, \$475,000 state special revenue
- Facility renovations and improvements, Montana Veterans’ Home Columbia Falls, \$465,000 state special revenue
- Construct chapel, Montana State Hospital, \$350,000 donations and grants

House Bill 183 - HB 183 authorizes the department to pursue a Medicaid waiver for services to seriously emotionally disturbed children.

House Bill 332 – HB 332 provides a general fund supplemental appropriation of \$903,255 to the department for low-income energy assistance.

House Bill 411 – HB 411 clarifies the allocation of tobacco funds to veteran’s homes after passage and approval of I-149 that raised tobacco taxes to maintain the share of tobacco taxes allocated for veterans’ services prior to I-149.

House Bill 452 – HB 452 implements recommendations from the Governor’s Health Care Advisory Council, allowing the department to seek a waiver to exempt Indian Health Services providers from Medicaid state plan changes that could reduce reimbursement to tribal services providers.

House Bill 529 – HB 529 provides for a child support pass-through payment and income disregard for TANF recipients. The legislature provided almost \$1.5 million federal funds for the biennium to support the provisions of this legislation.

House Bill 552 – HB 552 revises the asset test used to determine children’s eligibility for the Medicaid program by raising the family asset limit from \$3,000 to \$15,000. HB 552 appropriates \$2 million of I-149 state special revenue as state match and HB 2 includes the federal matching funds. About 3,800 children are expected to become eligible for Medicaid due to the change.

House Bill 667 – HB 667 provides for purchasing pools, premium assistance, and tax credits for small employers providing health insurance. HB 667 establishes the programs authorized in the passage of I-149. The program is administered by the State Auditor. DPHHS received an appropriation to support 1.00 new FTE to develop and implement a Medicaid waiver for health insurance premium assistance for workers with incomes below 200 percent of the federal poverty level.

House Bill 738 – HB 738 requires the department to create an advisory commission on provider rates and services and that the commission review and make recommendations concerning services provided by contract to children and adults in a community setting, the costs of those services, and reimbursement rates paid to the contract providers of those services.

House Bill 745 – HB 745 provides a supplemental appropriation of \$4,526,242 general fund to the department. The bulk of the supplemental appropriation (\$3.7 million) is related to a short fall in the Child and Family Services Division due to loss of federal funds related to compliance issues and a decline in eligibility for federal funds. The remainder of the supplemental appropriation (\$857,058) supports the Child Support Enforcement Division and is related to a decrease in state special revenue collections from retention of the state share of child support recoveries for families receiving cash assistance benefits and a decline in federal incentive payments paid to Montana.

House Bill 749 – HB 749 extends and raises the nursing home bed tax, which would have expired at the end of FY 2005. The tax revenue is used as state Medicaid match to pay higher Medicaid nursing home rates. HB 749 appropriates \$32 million over the 2007 biennium and raises the daily rate from \$5.30 in FY 2005 to \$8.30 in FY 2007.

Senate Bill 29 – SB 29 allows certain individuals convicted of a felony drug offense to be eligible for participation in the Temporary Assistance for Needy Families (TANF) and Food Stamp programs. This legislation also allows the department to make rules regarding random drug testing or reporting requirements, and graduated sanctions related to eligibility of these individuals for the programs mentioned above. The legislature provided \$404,148 federal funds each year of the biennium to support this change in eligibility.

Senate Bill 33 – SB 33 eliminates the requirements for a unified budget for the Interagency Coordinating Council for Prevention Programs and for submission of the budget to the legislature and interim and standing committees.

Senate Bill 41 – SB 41 implements guiding principles recommended by the Governor's Health Care Advisory Council for use by DPHHS when it considers budget reductions or increases. Principles specified include:

- Protecting those persons who are most vulnerable and most in need, as defined by a combination of economic security and medical circumstances
- Giving preference to the elimination of an entire Medicaid program or service, rather than sacrifice the quality of care for several programs or services through dilution of funding
- Giving priority to retaining those service that protect life, alleviate severe pain and prevent significant disability

Senate Bill 42 – SB 42 clarifies that the children's system of care and service area authority must take into account each other's recommendations with regard to planning and implementation of children's mental health services.

Senate Bill 82 – SB 82 revises the definition of intermediate care facility and increases the bed day utilization fee from 5 to 6 percent. This legislation impacts the Montana Developmental Center in Boulder.

Senate Bill 85 – SB 85 creates an income tax check off to support the end stage renal program. HB 2 includes \$48,000 state special revenue over the biennium for revenue anticipated from the check off.

Senate Bill 93 – SB 93 clarifies when DPHHS must provide monthly and fiscal yearend Medicaid and budget status reports to the Legislative Finance Committee.

Senate Bill 110 – SB 110 allows DPHHS to seek a HIFA (Health Insurance Flexibility and Accountability) Medicaid waiver, which is discussed in greater detail in the agency overview.

Senate Bill 120 – SB 120 continued the daily utilization hospital bed tax, which would have expired at the end of FY 2005. The proceeds from the tax are used as state match to increase Medicaid rates paid to hospitals. HB 2 includes \$83 million over the biennium to implement SB 120.

Senate Bill 127 – SB 127 makes changes to statutes allowing DPHHS to request and implement home and community based Medicaid waiver services. The bill also implements part of the Medicaid redesign recommendations to allow a home and community based waiver for adults with a serious and disabling mental illness. HB 2 includes an appropriation in FY 2007 to support 105 community services slots for the new waiver.

Senate Bill 154 – SB 154 makes several changes to CHIP program administration including:

- Allowing DPHHS to administer the program
- Requiring that if DPHHS contracts for administration of the program that:
 - No more than 12 percent of premium payments can be used for administrative and risk reserve costs
 - The contractor may retain unspent risk reserve funds, but must return 50 percent of the balance remaining after all claims costs have been paid

Senate Bill 324 – SB 324 provides for a prescription drug program and prescription drug technical assistance. Elements of the program are discussed in more detail in the agency narrative.

Senate Bill 385 – SB 385 does several things. It changes the Mental Health Ombudsman to a Mental Health and Family Ombudsman by adding duties related to providing assistance to family members with complaints or grievances related to child protective services. Also, this legislation clarifies that the ombudsman is a health oversight agency and some provisions related to the ombudsman's authority to receive confidential information. As of the date of this writing, this bill has been vetoed by the Governor and legislators are being polled to determine whether or not the Governor's veto will be overridden.

Senate Bill 433 - SB 433 authorizes a pilot Medicaid program for some individuals with developmental disabilities. This pilot program will allow individuals enrolled in Medicaid home and community based waiver services to place up to one-half the funding allocated but not expended to meet their basic health and safety needs into an individual account for future use. The pilot is limited to 50 individuals. Through provisions in SB 433, the department is authorized to determine the conditions and operating features of the pilot program.

Senate Bill 499 – SB 499 makes several changes to statutes governing mental health services. It:

- Removes the requirement that Service Area Authorities (SAA's) be risk bearing entities for management of public mental health services in regions of the state designated by DPHHS
- Requires that SAA's collaborate with DPHHS in service planning
- Allows DPHHS to contract with SAA's for planning and oversight of mental health services if the department determines that SAA's are able to do so
- Requires a majority of an SAA governing board to be mental health consumers and family members of consumers

Agency Discussion

Federal Poverty Level Index

Figure 8 shows the 2005 federal poverty level index by family size for various levels of poverty. This index is published each calendar year and updated in February or March. Generally the federal poverty level index increases each year between two and five percent.

Throughout the DPHHS narrative there are references to program financial eligibility based on an established level of poverty. The levels of poverty shown in Figure 8 reflect most of the financial eligibility levels for DPHHS programs. CHIP financial eligibility is currently 150 percent of the poverty level. Financial eligibility for some Medicaid programs for low-income children and

Figure 8
2005 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Percent of Federal Poverty Level					
	30%	100%	133%	150%	175%	200%
1	\$2,871	\$9,570	\$12,728	\$14,355	\$16,748	\$19,140
2	3,849	12,830	17,064	19,245	22,453	25,660
3	4,827	16,090	21,400	24,135	28,158	32,180
4	5,805	19,350	25,736	29,025	33,863	38,700
5	6,783	22,610	30,071	33,915	39,568	45,220
6	7,761	25,870	34,407	38,805	45,273	51,740
7	8,739	29,130	38,743	43,695	50,978	58,260
8	9,717	32,390	43,079	48,585	56,683	64,780
Each Additional Person	978	3,260	4,336	4,890	5,705	6,520

pregnant women is established at 100 percent and 133 percent of the federal poverty level. MHSP financial eligibility is established at 150 percent of the poverty level. Chemical dependency services are provided to individuals with incomes below 200 percent of the federal poverty level. The eligibility and benefit level for TANF cash assistance is established at about 30 percent of the 2002 federal poverty level index. However, the department must increase the cash assistance benefit level to 33 percent of the 2005 federal poverty level by October 1, 2005, if it wishes to expend federal TANF funds or state maintenance of effort funds on certain items.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	450.61	0.20	4.00	454.81	0.20	4.00	454.81	454.81
Personal Services	17,507,187	634,734	640,968	18,782,889	624,193	1,631,012	19,762,392	38,545,281
Operating Expenses	5,580,843	365,471	0	5,946,314	436,856	0	6,017,699	11,964,013
Equipment	59,368	0	0	59,368	0	0	59,368	118,736
Grants	14,243,871	1,444,830	300,000	15,988,701	1,687,642	300,000	16,231,513	32,220,214
Benefits & Claims	141,358,984	31,365,410	10,447,493	183,171,887	43,135,151	6,594,800	191,088,935	374,260,822
Transfers	0	0	0	0	0	0	0	0
Debt Service	552	0	0	552	0	0	552	1,104
Total Costs	\$178,750,805	\$33,810,445	\$11,388,461	\$223,949,711	\$45,883,842	\$8,525,812	\$233,160,459	\$457,110,170
General Fund	22,929,286	382,863	3,839,946	27,152,095	442,666	1,845,065	25,217,017	52,369,112
State/Other Special	159,542	100,000	747,396	1,006,938	100,000	801,416	1,060,958	2,067,896
Federal Special	155,661,977	33,327,582	6,801,119	195,790,678	45,341,176	5,879,331	206,882,484	402,673,162
Total Funds	\$178,750,805	\$33,810,445	\$11,388,461	\$223,949,711	\$45,883,842	\$8,525,812	\$233,160,459	\$457,110,170

Program Description

The Human and Community Services Division (HCSD) consist of four bureaus each managing a group of programs. The Public Assistance Bureau administers Montana's Temporary Assistance to Needy Families (TANF) program and provides eligibility services for Medicaid and food stamps. The Early Childhood Services Bureau manages child care subsidy programs, contracts providing child care eligibility, provider recruitment, and technical assistance; administers the Child and Adult Care Food Program (CACFP) reimbursement to child care providers for the cost of meals served to eligible children and adults; and administers the head start state collaboration grant. The Intergovernmental Human Services Bureau (IHSB) administers a number of programs providing housing services, weatherization services, and energy and commodity assistance including: the Community Services block grant, Low-Income Energy Assistance Program (LIEAP), some Housing and Urban Development (HUD) grants, and United States Department of Agriculture (USDA) food distribution and commodities grants. This bureau also maintains a warehouse facility. The division fiscal bureau coordinates implementation and monitoring of the division's budget.

Program Highlights

Human and Community Services Division Major Budget Highlights	
♦	Legislative initiatives increased funding for cash assistance benefits through: <ul style="list-style-type: none"> • Movement of \$4.8 million TANF funds for the biennium from other spending proposals to cash assistance benefits • Provision of \$2.4 million general fund for child care and reduction in the TANF transfer to child care by a like amount • Inclusion of language that indicates spending on some items is only permissible if the cash assistance benefit level is at or above 33 percent of the 2005 federal poverty level effective October 1, 2005
♦	The legislature provided general fund and state special revenue support for child care that exceeds the level needed to draw down federal funds
♦	Appropriations for food stamp benefits (entirely federally funded) are \$99 million in FY 2006 and \$110 million in FY 2007
♦	The legislature provided additional general fund to support TANF

maintenance of effort and statutory requirements regarding provision of general fund maintenance of effort funds to tribes implementing tribal TANF plans

Program Narrative

Figure 9 summarizes funding for the division by major function. Public assistance related programs including eligibility determination, TANF, and Food Stamp programs account for almost 74 percent of the funding provided to the division. Child care related services including child care subsidy programs and the CACFP account for about 16 percent of the division's funding, while energy and commodity assistance programs account for the remaining 10 percent.

The largest programs administered by the division include child care, Temporary Assistance for Needy Families (TANF), low-income energy assistance, and food stamps. Within these programs the legislature considered policy issues including use of TANF funds to support cash assistance verses child care subsidies, the cash assistance benefit level, and provision of general fund support for child care and low-income energy assistance. The budgetary actions taken illustrate legislative priorities related to these programs. The legislature:

- Provided funding to increase the cash assistance benefit level by:
 - Reducing appropriations for some programs and activities supported by federal TANF funds and providing this funding to support increases in the cash assistance benefit level
 - Providing \$2.4 million general fund support for child care and reducing the TANF transfer to child care
- Provided general fund and state special revenue to support child care at a level greater than that necessary to match federal funding
- Provided \$1 million general fund support for low-income energy assistance

Figure 10 summarizes benefits and claims and grant costs by funding source. Food stamp benefits account for 58 percent of the benefit costs included in the division budget, while TANF cash assistance accounts for 17 percent. Energy and commodity assistance and child care each account for about 10 percent of the benefit costs of the division. Two items, the Child and Adult Food Care program (61 percent) and child care (35 percent), comprise the bulk of the grant costs of the division.

Statutory authority is in Title 53, Chapter 2, MCA, and 45 CFR.

Temporary Assistance for Needy Families (TANF)

One of the largest programs administered by the division is the TANF program. The TANF block grant program was created in 1996 by federal legislation commonly known as "welfare reform". Under welfare reform legislation, TANF replaced the program formerly known as Aid to Families with Dependent Children (AFDC).

Figure 11 summarizes the TANF grant and grant expenditures for FY 2004 through 2007. The federal grant award varies somewhat from year to year depending upon whether or not the state is awarded a performance bonus, any new tribal TANF plans are implemented, or any previous tribal TANF plans are adjusted. TANF funds are used to support a number of programs and spending initiatives that are consistent with federal guidelines on the use of these funds. However, the largest expenditure of TANF funds supports cash assistance payments to eligible families. Expenditures for cash assistance have ranged from \$20 million in FY 2004 to \$32 million in FY 2003, consuming more than 50 percent of the annual grant award. During FY 2004 total cash assistance costs were \$22.6 million, with about \$2.3 million being funded from the general fund rather than federal funds. The budget adopted by the legislature provides federal funds of \$28.0 million in FY 2006 and \$26.3 million in FY 2007 for cash assistance benefits.

Figure 9

Function	Fiscal 2004 - Base Budget				Fiscal 2006 - Appropriated				Fiscal 2007 - Appropriated				
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	Percent of Total
Public Assistance													
Administration - Division	\$137,135	\$0	\$531,786	\$668,921	\$434,667	\$0	\$868,262	\$1,302,929	\$860,745	\$0	\$1,361,523	\$2,222,268	1.0%
Administration - Public Assistance	683,730	\$33	591,617	1,275,880	808,683	\$33	685,716	1,494,932	807,698	\$33	685,335	1,493,566	0.6%
Administration - County	7,637,479	0	8,806,553	16,444,032	7,885,701	14,795	9,073,252	16,973,748	7,871,686	70,149	9,116,449	17,058,284	7.3%
TANF Cash Assistance	2,313,676	0	20,290,788	22,604,464	2,313,676	0	31,032,954	33,346,630	2,313,676	0	29,326,398	31,640,074	13.6%
TANF Employment, Training, Work	7,489,239	0	606,516	8,095,755	7,540,826	0	\$30,195	8,071,021	7,540,270	0	\$30,792	8,071,062	3.5%
TANF Supportive Services	580,021	0	0	580,021	580,021	0	0	580,021	580,021	0	0	580,021	0.2%
Refugee Programs	0	0	145,457	145,457	0	0	145,457	145,457	0	0	145,457	145,457	0.1%
Food Stamp Training & Support Serv	868,197	111,166	662,929	1,642,292	885,337	111,166	681,839	1,678,342	885,160	111,166	681,258	1,677,584	0.7%
Food Stamp Benefits	0	0	77,555,762	77,555,762	0	0	99,313,455	99,313,455	0	0	110,333,514	110,333,514	47.3%
TANF Phase IIR	160,000	0	319,723	479,723	160,000	0	319,723	479,723	160,000	0	319,723	479,723	0
Subtotal Public Assistance	19,869,477	111,699	109,511,131	129,492,307	20,608,911	126,494	142,650,853	163,386,258	21,019,256	181,848	152,500,449	173,701,553	74.5%
Percent of Total	15.3%	0.1%	84.6%	100.0%	12.6%	0.1%	87.3%	100.0%	12.1%	0.1%	87.8%	100.0%	
Energy and Commodity Assistance													
Administration - Energy and Commodities	\$24,333	\$0	\$4,441,848	\$4,470,181	\$325,954	\$0	\$4,934,459	\$5,260,413	\$325,780	\$0	\$4,984,748	\$5,310,528	2.3%
Benefits - Energy and Commodities	61,000	47,843	15,891,389	16,000,232	561,000	147,843	17,968,171	18,677,014	561,000	147,843	16,518,171	17,227,014	7.4%
Subtotal Energy and Commodity	85,333	47,843	20,337,237	20,470,413	886,954	147,843	22,902,630	23,937,427	886,780	147,843	21,502,919	22,537,542	9.7%
Percent of Total	0.4%	0.2%	99.3%	100.0%	3.7%	0.6%	95.7%	100.0%	3.9%	0.7%	95.4%	100.0%	
Early Childhood Services													
Administration - Child Care	0	0	422,131	422,131	0	0	415,524	415,524	0	0	415,261	415,261	0.2%
Childcare Matching	1,645,427	0	5,241,053	6,886,480	1,927,075	732,601	4,162,804	6,822,480	1,981,932	731,267	4,162,804	6,876,003	2.9%
Childcare Mandatory	1,313,990	0	2,087,242	3,401,232	1,313,990	0	2,087,242	3,401,232	1,313,990	0	2,087,242	3,401,232	1.5%
Childcare Discretionary	0	0	6,912,652	6,912,652	2,400,000	0	11,469,496	13,869,496	0	0	13,869,383	13,869,383	5.9%
Quality - Child Care	0	0	1,942,285	1,942,285	0	0	1,942,285	1,942,285	0	0	1,942,285	1,942,285	0.8%
Head Start	15,059	0	152,498	167,557	15,165	0	152,442	167,607	15,059	0	152,543	167,602	0.1%
Child and Adult Care Food Program	0	0	9,055,748	9,055,748	0	0	10,007,402	10,007,402	0	0	10,249,598	10,249,598	4.4%
Subtotal Early Childhood Services	2,974,476	0	25,813,609	28,788,085	5,656,210	732,601	30,237,195	36,626,026	3,310,981	731,267	32,879,116	36,921,364	15.8%
Percent of Total	10.3%	0.0%	89.7%	100.0%	15.4%	2.0%	82.6%	100.0%	9.0%	2.0%	89.1%	100.0%	
Total Human and Community Services Div	\$22,929,286	\$159,542	\$155,661,977	\$178,750,805	\$27,152,095	\$1,006,938	\$195,790,678	\$223,949,711	\$25,217,017	\$1,060,958	\$206,882,484	\$233,160,459	100.0%
Percent of Total	12.8%	0.1%	87.1%	100.0%	12.1%	0.4%	87.4%	100.0%	10.8%	0.5%	88.7%	100.0%	

Figure 10

Program	Fiscal 2004 Base				Fiscal 2006 Appropriated				Fiscal 2007 Appropriated				Percent Total	
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds		
Benefits & Claims														
TANF Cash Assistance	\$2,313,676	\$0	\$20,290,788	\$22,604,464	\$2,313,676	\$0	\$31,032,954	\$33,346,630	\$2,313,676	\$0	\$29,326,398	\$31,640,074	16.6%	
TANF Employment, Training	6,862,734	0	555,780	7,418,513	6,978,861	0	490,683	7,469,544	6,978,311	0	491,233	7,469,544	3.9%	
TANF Supportive Services	580,021	0	0	580,021	580,021	0	0	580,021	580,021	0	0	580,021	0.3%	
Refugee Services	0	0	7,846	7,846	0	0	7,846	7,846	0	0	7,846	7,846	0.0%	
Food Stamp Training/Support	321,839	41,209	245,746	608,794	321,839	41,209	255,746	618,794	321,839	41,209	255,746	618,794	0.3%	
Food Stamps	0	0	77,555,762	77,555,762	0	0	99,313,455	99,313,455	0	0	110,333,514	110,333,514	57.7%	
FAIM Phase IIR	67,775	0	135,358	203,133	67,775	0	135,358	203,133	67,775	0	135,358	203,133	0.1%	
Energy and Commodities	771,141	43,250	18,384,883	18,505,274	500,000	147,843	20,764,210	21,412,053	500,000	147,843	19,314,210	19,962,053	10.4%	
Childcare	2,959,417	0	10,915,760	13,875,177	5,641,065	732,601	13,846,745	20,220,411	3,295,922	731,267	16,246,767	20,273,956	10.6%	
Total Benefits & Claims	\$13,182,604	\$84,459	\$128,091,923	\$141,358,985	\$16,403,237	\$921,653	\$165,846,998	\$183,171,887	\$14,057,544	\$920,319	\$176,111,073	\$191,088,935	100%	
Grants														
Admin	\$4,418	\$0	\$17,133	\$21,551	\$4,901	\$0	\$16,650	\$21,551	\$4,892	\$0	\$16,659	\$21,551	0.1%	
Energy and Commodity Asst.	0	0	0	0	300,000	0	0	300,000	300,000	0	0	300,000	1.8%	
Refugee	0	0	135,463	135,463	0	0	135,463	135,463	0	0	135,463	135,463	0.8%	
Childcare	0	0	5,206,158	5,206,158	0	0	5,696,158	5,696,158	0	0	5,696,158	5,696,158	35.1%	
Head Start	14,292	0	144,729	159,021	14,292	0	144,729	159,021	14,292	0	144,729	159,021	1.0%	
Child and Adult Food Program	0	0	8,721,678	8,721,678	0	0	9,676,508	9,676,508	0	0	9,919,320	9,919,320	61.1%	
Total Grants	\$18,710	\$0	\$14,225,161	\$14,243,871	\$319,193	\$0	\$15,669,508	\$15,988,701	\$319,184	\$0	\$15,912,329	\$16,231,513	100.0%	

Figure 11
Summary of Temporary Assistance for Needy Families (TANF) Grant
Fiscal 2004 Through 2007

Description	Actual SFY 2004	Dept. Est. SFY 2005	Appropriated SFY2006	Appropriated SFY 2007
Beginning Balance	\$7,037,060	\$19,688,676	\$23,563,483	\$14,884,866
Grant Award	48,020,033	41,805,364	42,228,001	42,228,001
Expenditures:				
Cash Assistance*	20,290,788	21,721,072	29,082,954	27,376,398
FAIM Phase IIR				
New Spending Proposals:				
TANF Higher Work Participation	0	1,176,336	1,725,000	1,725,000
Adult Basic Education	0	0	125,000	125,000
Accelerated Employment Services	0	581,451	0	0
Abstinence Education	0	40,000	0	0
Ongoing Expenditures				
Food Banks	0	100,000	100,000	100,000
Administrative and Other Costs	6,765,172	6,056,780	6,273,851	6,273,851
Foster Care	4,314,231	4,017,119	4,314,231	4,314,231
Total Expenditures	<u>\$31,370,191</u>	<u>\$33,692,758</u>	<u>\$41,621,036</u>	<u>\$39,914,480</u>
Transfers:				
Title XX, Soc Svc. Block Grant	\$1,998,226	\$1,998,226	\$1,998,226	\$1,998,226
Childcare Discretionary Fund	<u>2,000,000</u>	<u>2,239,573</u>	<u>7,287,356</u>	<u>9,606,006</u>
Total Transfers	3,998,226	4,237,799	9,285,582	11,604,232
Total Expenditures and Transfers	<u>35,368,417</u>	<u>37,930,557</u>	<u>50,906,618</u>	<u>51,518,712</u>
Ending Balance	<u>\$19,688,676</u>	<u>\$23,563,483</u>	<u>\$14,884,866</u>	<u>\$5,594,155</u>
Maximum Transfer:				
30% combined Title XX & CCDF	\$14,406,010	\$12,541,609	\$12,668,400	\$12,668,400
*Notes:				
Cash assistance costs reported here may not be total cash assistance costs since general fund may also be used to pay a portion of these costs.				
Includes \$333,000 per year related to SB 82 and increased food stamp benefit costs.				
Data sources include MBARS, SBAHRS link system and DPHHS worksheets				

Since the implementation by the department of the reduction in the cash assistance benefit level, this change and its impact on families receiving assistance have been the subject of many discussions. Actions were taken by the legislature to express its priority for increasing the cash assistance benefit level rather than funding some initiatives proposed in the executive budget. The legislature approved the executive request to increase federal TANF funds supporting cash assistance costs, and so that the benefit level may be increased, the legislature further increased funding for cash assistance by:

- Providing an additional \$2.4 million general fund support for child care in FY 2006 and decreasing the amount of TANF funds transferred to child care by a like amount
- Directing that federal TANF funds (and state maintenance of effort funds) totaling \$2.4 million per year may only be expended to support achievement or incentive awards, accelerated employment services or diversionary projects, or after school programs if the cash assistance benefit level effective October 1, 2005 is at or above 33 percent of the current federal poverty level and funding for the work readiness component (WoRC) programs is maintained at or above the FY 2005 level

In summary, legislative action increased funding for cash assistance benefits by \$4.8 million in FY 2006 and \$2.4 million in FY 2007 above the executive budget.

The legislature also directed that \$125,000 per year of federal TANF funds be used to support adult basic education programs for TANF participants rather than programs related to meeting TANF work participation rates which are anticipated to be higher and more stringent when reauthorization of the program is completed by Congress.

In conjunction with the actions discussed above the legislature also considered the ongoing sustainability of programs and activities supported by the TANF block grant. As Figure 11 illustrates, the carry forward of federal TANF block grants funds is estimated to be \$6.7 million at the end of FY 2007. Additionally, during FY 2006 and 2007 expenditures and transfers of federal TANF funds (\$50 million) are expected to exceed the annual block grant award (\$42 million) by about \$8 million per year. An increase in funding for the federal grant, which has remained constant since implementation in 1996, is not anticipated when Congress reauthorizes the program.

Child care

The division administers child care programs, the majority of which are funded by the Child Care Development Fund (CCDF) block grant. Federal child care programs were revised and changed at the time welfare reform was passed by Congress. Among the TANF requirements is that states provide child care assistance to TANF families when the family is engaged in activities designed to assist the family in becoming self-sufficient. In addition to providing services to TANF families, child care programs also provide subsidies for low-income working families, and support licensing and registration of child care providers and activities related to assuring quality child care. Under child care block grant regulations, states are required to expend a minimum of 4 percent of the funding on child care quality activities.

The funding for child care approved by the legislature is equivalent in total funds to the funding level requested in the executive budget and necessary to maintain funding at the FY 2005 level. However, the legislature increased general fund support for child care in FY 2006 by \$2.4 million and offset this increase by a reduction in federal TANF funds transferred to child care. HB 749 and SB 82 provided for an increase the utilization fees and bed tax at two state institutions and results in a small increase the state special revenue received by the prevention and stabilization fund and used to support child care. General fund support for child care was reduced by the amount (\$100,000) of additional state special revenue support that is expected.

Child care funding is summarized in Figure 12. It is important to note that a significant amount of general fund and/or state special revenue (\$4.5 million for the biennium) supporting child care will not be used to draw federal matching funds. Thus, about 8 percent of the \$55 million appropriated for child care for the 2007 biennium will support services funded entirely by the general fund or state special revenue.

Figure 12
Agency-wide Summary of Child Care Funding
by Funding Stream
Fiscal 2001 Through 2007

Description	Actual SFY 2001	Actual SFY 2002	Actual SFY 2003	Actual SFY 2004	Estimated* SFY 2005	Appropriated SFY2006	Appropriated SFY 2007
General Fund:							
Maintenance of Effort	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990
Matching	1,557,335	1,531,499	1,634,445	1,645,427	541,540	1,927,075	1,981,932
Discretionary	0	0	0	0	0	2,400,000	0
Other (non HCSD)	<u>119,128</u>	<u>112,662</u>	<u>75,962</u>	<u>93,143</u>	<u>93,143</u>	<u>93,143</u>	<u>93,143</u>
Total General Fund	<u>2,990,453</u>	<u>2,958,151</u>	<u>3,024,397</u>	<u>3,052,560</u>	<u>1,948,673</u>	<u>5,734,208</u>	<u>3,389,065</u>
Annual Percent Change		-1.1%	2.2%	0.9%	-36.2%	194.3%	-40.9%
Non General Fund Match:							
State Spec. Revenue (PSF)			0	557,000	1,443,000	732,601	731,267
Other			13,099	11,250			
Federal Funds:							
Title XX, Social Services Blk Grant	46,000	46,000	46,000	46,000	46,000	46,000	46,000
CCDF Administrative (non HCSD)	125,923	151,442	160,935	573,550	573,550	573,550	573,550
CCDF Administrative (HCSD)	940,633	909,754	923,674	558,450	678,899	554,270	554,009
CCDF Mandatory	1,681,290	1,895,012	1,868,692	2,086,199	2,086,400	2,086,199	2,086,199
CCDF Match	3,763,051	3,657,824	4,242,370	5,241,053	4,350,989	4,162,804	4,162,804
CCDF Discretionary (non HCSD)	427,045	560,296	562,588	567,068	568,000	583,673	583,673
CCDF Discretionary	<u>12,968,755</u>	<u>17,715,968</u>	<u>13,219,262</u>	<u>8,826,112</u>	<u>15,613,823</u>	<u>13,227,389</u>	<u>15,627,276</u>
Total Federal Funds	<u>19,952,697</u>	<u>24,936,296</u>	<u>21,023,521</u>	<u>17,898,432</u>	<u>23,917,661</u>	<u>21,233,885</u>	<u>23,633,511</u>
Total Expenditures	<u>\$22,943,150</u>	<u>\$27,894,447</u>	<u>\$24,061,017</u>	<u>\$21,519,242</u>	<u>\$27,309,334</u>	<u>\$27,700,694</u>	<u>\$27,753,843</u>
Percent Change		21.6%	-13.7%	-10.6%	26.9%	1.4%	0.2%
Compound Rate of Change		21.6%	2.4%	-2.1%	4.5%	3.8%	3.2%
Calculation of State Funds Needed for Match							
State General Fund and Special Revenue Available to be Matched					\$2,077,683	\$5,152,819	\$2,806,342
Federal Matching Funds Available					4,350,989	4,162,804	4,162,804
Total Matching Stream					6,148,939	5,882,990	5,939,227
State Match as Percent of Total Per Executive Budget					33.79%	87.59%	47.25%
State Match Required (percentage)					29.24%	29.24%	29.91%
Funds Required to Fully Match Available Federal Matching Funds					\$1,797,950	\$1,720,186	\$1,776,423
State Match Funding (Over)/Under Federal Requirements					(\$279,733)	(\$3,432,633)	(\$1,029,919)
Biennial Total State Match Funding (Over)/Under Federal Requirements							(\$4,462,552)

***Notes:**

In most instances the FY 2005 is estimated at the FY 2005 appropriation level as adjusted through appropriation transactions.

Low-income Energy Assistance

The legislature provided \$1 million general fund for the biennium as a one-time-only appropriation to increase low-income energy assistance, and specified that this funding may be used to support the state low income energy assistance program, the state weatherization program, and tribal energy assistance programs. The legislature also provided \$0.6 million general fund for the biennium to support energy ombudsman or case management-type staff at Human Resource Development Councils to assist low-income individuals seeking emergency energy assistance. In addition, the legislature (in HB 332) approved a supplemental appropriation for FY 2005 of \$903,255 general fund for low-income energy assistance.

Figure 13 summarizes funding for low-income energy assistance and includes a variety of sources of funds including energy assistance provided by utility companies that is not appropriated in the state budget. It is important to note that prior to FY 2005 the low-income energy assistance program did not receive general fund support. The \$1 million general fund appropriated for the 2007 biennium equates to slightly less than 3 percent of the \$39 million in total funding supporting low-income energy assistance.

Figure 13

Summary

Low Income Energy Assistance and Weatherization Funding

Description	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Approp/Proj FY 2005	Appropriation FY 2006	Appropriation FY 2007
Univ. Low Income Energy Asst.	\$0	\$0	\$245,318	\$65,416	\$47,973	\$342,176	\$147,843	\$147,843
Bonneville Power Admin.	231,591	268,978	290,617	257,453	225,480	401,613	376,089	381,272
Temporary Assistance for Needy Families	875,000	875,000	0	0	500,000	500,000	0	0
Oil Overcharge: Stripper	577,761	398,292	139,153	(7,484)	130	157,630	0	0
Ener. Conservation: Exxon*	261,137	85,380	102,320	0	0	0	225,000	225,000
Oil Overcharge: Exxon	0	75,289	82,461	20,205	0	0	0	0
Ener. Conservation: Stripper*	137,445	44,911	53,941	0	0	0	500,000	500,000
Regional Ener Asst. Challenge	113,686	423,094	610,634	427,520	0	1	0	0
Weatherization	1,423,418	1,553,356	1,917,205	2,569,775	2,325,326	2,590,730	2,569,404	2,568,309
LIEAP Grant	6,851,941	11,186,488	11,752,187	11,712,854	12,190,840	11,525,836	11,901,294	11,901,294
LIEAP Tribal - funding direct to tribes*	1,222,465	1,995,798	2,096,725	2,089,708	2,174,986	2,056,342	2,123,328	2,123,328
Jobs & Growth Tax Relief Act	0	0	0	0	1,772,899	941	0	0
Jobs & Growth Tax Relief Act - to Tribes	0	0	0	0	227,100	0	0	0
MPC/NW Ener Free Weatherization*	769,734	1,020,227	1,348,923	1,164,608	1,308,697	1,168,000	1,168,000	1,168,000
Subtotal	12,464,178	17,926,813	18,639,484	18,300,055	20,773,431	18,743,269	19,010,958	19,015,046
General Fund Support						775,444	424,300	424,300
General Fund Support - Tribal	0	0	0	0	0	127,811	75,700	75,700
Total	<u>\$12,464,178</u>	<u>\$17,926,813</u>	<u>\$18,639,484</u>	<u>\$18,300,055</u>	<u>\$20,773,431</u>	<u>\$19,646,524</u>	<u>\$19,510,958</u>	<u>\$19,515,046</u>
Annual Percent Change		43.8%	4.0%	-1.8%	13.5%	-5.4%	-0.7%	0.0%
Compounded Rate of Change		43.8%	22.3%	13.7%	13.6%	9.5%	7.8%	6.6%
Percent Change between 2000 and 2007								56.6%
Consumer Energy Price Index, 2000 = 100 - Data source: Global Insights								
Fuel Oil and Coal	100.00	101.74	91.77	109.63	125.22	135.26	127.00	127.14
Electricity	99.98	108.06	106.89	109.40	111.86	116.18	116.68	116.22
Natural Gas	99.06	118.80	101.50	124.70	134.87	140.79	136.47	126.91

*Notes:

Montana Power Company, Northwestern Energy - energy assistance funds are not appropriated by the state.

LIEAP - Tribal - These funds do not flow through state government, rather these funds are provided directly to the Tribes.

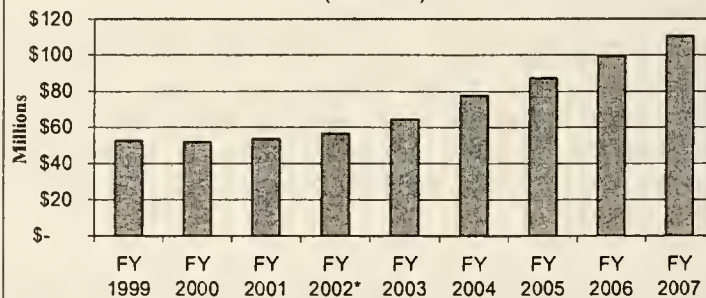
Tribal governments received 15.14 percent of the energy assistance grant funds provided to Montana. It is anticipated that this percentage of general fund provided to support low-income energy assistance will be allocated to tribes.

Energy Conservation funding is provided as a biennial appropriation but shown in the table divided between the two years.

Per statute, energy conservation funding may be expended only if the federal LIEAP grants drops below the 1987 level.

Food Stamp Benefits

The legislature approved the executive request for increased food stamp benefit costs. Food Stamp benefit costs are entirely federally funded and it is estimated that annual food stamp benefit costs will approach \$100 million in FY 2006 and exceed \$110 million beginning in FY 2007. The growth in Food Stamp benefit costs has been quite dramatic since FY 2002, rising from \$56 million per year to over \$110 million per year in just 5 years. In FY 2002 electronic benefit transfer (EBT) of these benefits was implemented and food stamps became a budgeted expenditure. Previous to FY 2002 food stamp benefits were issued using a coupon and, because the funds did not flow through the state treasury, they were not a budgeted item. Figure 14 provides a graphical representation of food stamp benefit costs for FY 1999 through FY 2007.

Figure 14
Food Stamp Benefits
(in millions)

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Human And Community Serv					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 22,929,286	12.8%	\$ 27,152,095	12.1%	\$ 25,217,017	10.8%
	01100 General Fund	22,929,286	12.8%	27,152,095	12.1%	25,217,017	10.8%
02000	Total State Special Funds	159,542	0.1%	1,006,938	0.4%	1,060,958	0.5%
	02375 6901-02 Indirect Activity Prog 02	533	0.0%	533	0.0%	533	0.0%
	02698 69010-Prevention&Stabilization	-	-	732,601	0.3%	731,267	0.3%
	02772 Tobacco Hlth & Medicaid Initiative	-	-	14,795	0.0%	70,149	0.0%
	02931 Food Stamp Recoupment Account	111,166	0.1%	111,166	0.0%	111,166	0.0%
	02974 Univ Low-Income Energy Assist	47,843	0.0%	147,843	0.1%	147,843	0.1%
03000	Total Federal Special Funds	155,661,977	87.1%	195,790,678	87.4%	206,882,484	88.7%
	03066 81.042 Bpa	222,578	0.1%	376,186	0.2%	381,538	0.2%
	03096 Discretionary Child Care	8,809,980	4.9%	13,368,197	6.0%	15,770,272	6.8%
	03109 Tanf Benefits	21,217,027	11.9%	31,882,872	14.2%	30,176,913	12.9%
	03204 Energy Conservation: Exxon	-	-	450,000	0.2%	-	-
	03208 Abstinence Education Blk Grant	211,773	0.1%	213,461	0.1%	216,140	0.1%
	03236 Child Nutrition	8,673,838	4.9%	9,516,857	4.2%	9,765,020	4.2%
	03250 Child Care Mandatory/Moe	2,086,199	1.2%	2,086,199	0.9%	2,086,199	0.9%
	03251 Child Care Admin	422,131	0.2%	424,325	0.2%	439,479	0.2%
	03252 Child Care Matching	5,241,053	2.9%	4,162,804	1.9%	4,162,804	1.8%
	03323 Energy Conservation: Stripper	-	-	1,000,000	0.4%	-	-
	03382 03 Indirect Activity Prog 02	9,605,847	5.4%	10,235,896	4.6%	10,687,923	4.6%
	03519 93.045 - Aging Meals 100%	28,130	0.0%	36,926	0.0%	37,732	0.0%
	03523 93.566 - Refugee Soc. Serv	79,631	0.0%	79,631	0.0%	79,631	0.0%
	03539 93.600 Headstart	152,498	0.1%	152,442	0.1%	152,543	0.1%
	03543 6901-Foodstamp Outreach 10.561	1,060	0.0%	11,060	0.0%	11,060	0.0%
	03544 10.561 - Fs E & T - 50%	167,589	0.1%	167,589	0.1%	167,589	0.1%
	03545 10.561 - Fs E & T - 100%	341,515	0.2%	349,199	0.2%	361,489	0.2%
	03546 10.561 - Fs Adm - Fed Exp 50%	152,765	0.1%	161,675	0.1%	161,094	0.1%
	03547 10.568 - Emerg Food Assist 100	168,361	0.1%	187,263	0.1%	191,130	0.1%
	03548 10.569 - Food Distr - Fed Exp	1,619,917	0.9%	1,835,766	0.8%	1,843,858	0.8%
	03550 14.231 - Emerg Shelter - Hud 5	357,718	0.2%	388,843	0.2%	388,843	0.2%
	03552 81.042 - Weather Ben 100%	2,285,864	1.3%	2,573,250	1.1%	2,578,322	1.1%
	03571 93.566 - Off Ref Reset Adm 10	9,994	0.0%	9,994	0.0%	9,994	0.0%
	03572 93.568 - Leap Blk Grt Adm	11,901,294	6.7%	11,905,885	5.3%	11,913,242	5.1%
	03573 93.569 - Csbgr Adm	3,017,353	1.7%	3,226,969	1.4%	3,228,873	1.4%
	03579 93.667 - Ssbgr - Benefits	46,000	0.0%	46,000	0.0%	46,000	0.0%
	03580 6901-93.778 - Med Adm 50%	112,336	0.1%	130,217	0.1%	135,116	0.1%
	03669 Doe Region 8	49,001	0.0%	99,246	0.0%	149,246	0.1%
	03677 6901-Cacfp 10.558 & 10.560	381,910	0.2%	497,684	0.2%	503,204	0.2%
	03678 6901-Food Stamp Benefits	77,555,762	43.4%	99,313,455	44.3%	110,333,514	47.3%
	03679 6901-Hopwa Cfda#14-241	355,615	0.2%	483,599	0.2%	483,599	0.2%
	03824 Child Care Apprenticeship Prog	-	-	788	0.0%	821	0.0%
	03955 Elderly Refugee Grant	55,832	0.0%	55,832	0.0%	55,832	0.0%
	03965 Csfpr	331,406	0.2%	360,568	0.2%	363,464	0.2%
Grand Total		\$ 178,750,805	100.0%	\$ 223,949,711	100.0%	\$ 233,160,459	100.0%

The HCSD is supported primarily by federal funds. Federal funds comprise 89 percent of the division's funding. General fund provides almost 11 percent of the division's funding, while state special revenues account for less than half of one percent of the division's funding. The general fund supporting this division is utilized to:

- o Achieve Temporary Assistance for Needy Families (TANF) maintenance of effort (MOE) spending requirements
- o Achieve child care block grant MOE spending requirements
- o Match federal programs such as Medicaid and food stamp eligibility determination, and child care benefits

In addition, for the 2007 biennium the legislature provided \$2.4 million general fund to support child care and reduced the TANF funds transferred to childcare by a like amount and \$1.6 million to support low income energy assistance and energy assistance ombudsman (case management) type services.

Food stamp benefit funding, which is federal funding that passes through the state, comprises more than 47 percent of the division's total funding. Funding from the TANF grant for benefit costs comprises about 13 percent of the funds for the division. Other than general fund, no other funding source comprises more than 10 percent of the division's funding.

Biennial Comparison

The division's budget increases \$87 million (24 percent) when the 2007 and 2005 biennia are compared (Figure 15). This increase is primarily in benefits and claims (\$82 million). An increase of \$59 million occurs in food stamp benefit costs, which are entirely federally funded. TANF benefits and child care discretionary funds increase \$9.7 million and \$9.1 million, respectively, to reflect increased caseloads and an increase in the TANF funds transferred to child care. Combined, these three items account for 90 percent of the biennial increase in the division budget and the entire increase in federal funds.

General fund increases \$7.6 million due increases in general fund supporting child care (\$4.0 million), low-income energy assistance (\$1.0 million), and energy ombudsman type services (\$0.6 million).

The balance of the general fund increase supports increases in statewide present law adjustments and the pay plan adopted by the legislature.

The increase in state special revenue is almost entirely related to an increase in funding for child care from the prevention and stabilization fund. Because these funds were not included in the base budget they appear as an increase in the biennial comparison.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	452.20	454.81		2.61	
Personal Services	\$ 35,824,425	\$ 38,558,379	8.4%	\$ 2,733,954	7.6%
Operating	11,115,467	11,964,013	2.6%	848,546	7.6%
Equipment	84,457	118,736	0.0%	34,279	40.6%
Grants	30,835,741	32,220,214	7.0%	1,384,473	4.5%
Benefits/Claims	292,166,032	374,260,822	81.9%	82,094,790	28.1%
Debt Service	93,981	1,104	0.0%	(92,877)	-98.8%
Total Costs	<u>\$370,120,103</u>	<u>\$457,123,268</u>	<u>100.0%</u>	<u>\$ 87,003,165</u>	<u>23.5%</u>
General Fund	\$ 44,764,961	\$ 52,382,211	11.5%	\$ 7,617,250	17.0%
State Special	669,793	2,067,896	0.5%	1,398,103	208.7%
Federal Funds	<u>324,685,349</u>	<u>402,673,161</u>	<u>88.1%</u>	<u>77,987,812</u>	<u>24.0%</u>
Total Funds	<u>\$370,120,103</u>	<u>\$457,123,268</u>	<u>100.0%</u>	<u>\$ 87,003,165</u>	<u>23.5%</u>

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,672,725					1,666,167	
Vacancy Savings				(767,180)					(766,898)	
Inflation/Deflation				(14,710)					(14,499)	
Fixed Costs				13,510					13,546	
Total Statewide Present Law Adjustments				\$904,345					\$898,316	
DP 41 - Child Care Match Reduction										
0.00	(19,063)	0	(1,078,249)	(1,097,312)	0.00	37,153	0	(1,078,249)	(1,041,096)	
DP 54 - Offices of Public Assistance Rent Increase										
0.00	64,390	0	64,389	128,779	0.00	74,958	0	74,959	149,917	
DP 100 - Energy Assistance Increases										
0.00	0	100,000	1,094,671	1,194,671	0.00	0	100,000	1,144,671	1,244,671	
DP 119 - Food Stamp Benefit Increases										
0.00	0	0	21,757,693	21,757,693	0.00	0	0	32,777,752	32,777,752	
DP 120 - Child Care Discretionary Fund Increases										
0.20	0	0	6,906,315	6,906,315	0.20	0	0	6,906,315	6,906,315	
DP 125 - TANF Benefits Assistance Increase										
0.00	0	0	3,339,016	3,339,016	0.00	0	0	4,032,460	4,032,460	
DP 127 - Child and Adult Care Food Program Increase										
0.00	0	0	954,830	954,830	0.00	0	0	1,197,642	1,197,642	
DP 9999 - Statewide FTE Reduction										
0.00	(138,946)	0	(138,946)	(277,892)	0.00	(141,067)	0	(141,068)	(282,135)	
Total Other Present Law Adjustments										
0.20	(\$93,619)	\$100,000	\$32,899,719	\$32,906,100	0.20	(\$28,956)	\$100,000	\$44,914,482	\$44,985,526	
Grand Total All Present Law Adjustments				\$33,810,445					\$45,883,842	

DP 41 - Child Care Match Reduction - The legislature approved a \$18,090 general fund increase and a \$2 million reduction in funding to adjust child care matching funds for changes in the federal medical assistance participation rate (FMAP) and the level of federal funding that is anticipated for the 2007 biennium. The federal match fund is one funding stream within the child care development fund (CCDF). In order for a state to draw federal match dollars, it must expend state or local matching funds at the FMAP rate and it must also meet the federal child care block grant maintenance of effort requirements. The executive anticipates that less federal matching funds will be available in the 2007 biennium than is included in the base budget, because carryover funds that existed and were expended in FY 2004 will not exist in the 2007 biennium. Additionally, an increase in general fund is provided because the FMAP rate for the 2007 biennium decreases, requiring a larger state match.

DP 54 - Offices of Public Assistance Rent Increase - The legislature provided \$139,348 general fund and \$278,696 total funds for increased rental costs for local Offices of Public Assistance (OPA). The largest increase in rent will occur in Glacier County (\$61,002 in the first year and \$62,220 in the second year) due to the relocation of the office to a new building.

DP 100 - Energy Assistance Increases - The legislature approved \$2,439,342 in state special revenue and federal funds for the biennium for anticipated increases in seven federal grants and the universal low-income energy assistance state special revenue providing housing, weatherization, and energy and commodity assistance. Anticipated grant increases range from about \$7,000 to \$285,000 per year and vary among grants.

DP 119 - Food Stamp Benefit Increases - The legislature provided \$54 million federal funds for the biennium to fund increases in food stamp benefits. The department anticipates that annual food stamp benefit expenditures will exceed \$110 million during FY 2007. Food stamp benefits increase due to caseload growth and poverty level adjustments (expanded eligibility). Contributing factors to the increase in food stamp benefits include changes made by the 2002 farm bill (expanded eligibility for aliens, less frequent (six-month) reporting and federal funding for outreach activities) and a decrease in the monthly TANF cash assistance grant to families.

DP 120 - Child Care Discretionary Fund Increases - The legislature approved \$13.8 million federal funds to increase child care discretionary fund spending. The legislature also approved a decision package providing \$2.4 million general fund for FY 2006 with an offsetting reduction in the TANF transfer to child care and provided that the \$2.4 million of TANF funds be used to increase the TANF cash assistance benefit level. This action maintains total funding for child care at \$25.6 million per year. A substantial amount of the funding needed to sustain childcare at this level is transferred from the TANF block grant to child care.

DP 125 - TANF Benefits Assistance Increase - The legislature provided \$7.4 million federal funds for the biennium to support projected increases in the TANF cash assistance caseload.

DP 127 - Child and Adult Care Food Program Increase - The legislature provided \$2.2 million federal funds to support an anticipated 2.3 percent increase in program reimbursement rates established by the USDA and number of meals reimbursed. It is estimated that the funding provided will support an increase of about 215,000 meals in FY 2006 and 270,000 meals in FY 2007.

DP 9999 - Statewide FTE Reduction - The legislature reduced personal services funding, but did not reduce FTE authorized by the Office of Budget and Program Planning, equivalent to the across-the-board personal services reduction included in the 2005 biennium budget by the legislature. The reduction in this decision package is offset by an increase in general fund equal to the amount of general fund expenditures for these positions that counted toward TANF maintenance of effort.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 69 - Tribal TANF Maintenance of Effort										
02	0.00	51,031	0	0	51,031	0.00	51,031	0	0	51,031
DP 144 - Higher TANF Work Participation Rates										
02	0.00	0	0	1,725,000	1,725,000	0.00	0	0	1,725,000	1,725,000
DP 145 - Energy Conservation and Energy Assistance Bien-OTO										
02	0.00	0	0	1,450,000	1,450,000	0.00	0	0	0	0
DP 167 - Food Stamp Outreach										
02	0.00	0	0	10,000	10,000	0.00	0	0	10,000	10,000
DP 708 - Energy Ombudsman										
02	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 709 - Child Care Funding Revision										
02	0.00	2,400,000	0	0	2,400,000	0.00	0	0	0	0
DP 711 - Cash Assistance Benefits - Legislative Priority										
02	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
DP 712 - Adult Basic Education Services										
02	0.00	0	0	125,000	125,000	0.00	0	0	125,000	125,000
DP 717 - Child Support Pass-through, etc. (HB 529)										
02	0.00	0	0	749,002	749,002	0.00	0	0	749,002	749,002
DP 718 - Revise Exemption - Public Assistance Elig. (SB 29)										
02	0.00	0	0	404,148	404,148	0.00	0	0	404,148	404,148
DP 719 - Implement Provisions of Bills Related to i-149										
02	4.00	19,814	14,795	34,609	69,218	4.00	0	70,149	70,149	140,298
DP 3005 - Child Care										
02	0.00	300,711	732,601	0	1,033,312	0.00	299,352	731,267	0	1,030,619
DP 3200 - Low Income Energy Assistance OTO										
02	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
02	0.00	268,390	0	303,360	571,750	0.00	694,682	0	796,032	1,490,714
Total	4.00	\$3,839,946	\$747,396	\$6,801,119	\$11,388,461	4.00	\$1,845,065	\$801,416	\$5,879,331	\$8,525,812

DP 69 - Tribal TANF Maintenance of Effort - The legislature provided a general fund increase of \$102,062 for the biennium to fund transfers to tribes that have implemented Tribal TANF plans. Funding to support transfers to tribes is offset by general fund that was included in the base budget but is no longer needed for the TANF maintenance of effort due to a decrease in the TANF MOE related to implementation TANF plans by tribes within Montana.

DP 144 - Higher TANF Work Participation Rates - The legislature approved \$3.5 million of federal funds for the 2007 biennium to assist the department in meeting the new TANF work participation rates. In December 2003, Montana's waiver that allowed a broadly defined list of activities to count toward work participation expired and was not renewed by the federal government. Because this waiver is no longer available the department believes it will be more costly to place participants into the federally approved work activities, which are more narrowly-defined than those in Montana's waiver. The department anticipates that some individuals will need to be placed in subsidized work experience sites, subsidized employment, or on-the-job training, and that all of these allowable work activities cost more than placing individuals in unsubsidized employment sites.

DP 145 - Energy Conservation and Energy Assistance Bien-OTO - A biennial, one-time-only appropriation of \$1,450,000 federal funds was provided to spend the existing energy conservation and energy assistance account (ECA) funds established in 90-4-215, MCA for low-income energy assistance and low-income home weatherization. This funding may be expended only if the federal low-income energy assistance grant drops below the 1987 funding level.

DP 167 - Food Stamp Outreach - The legislature provided \$20,000 federal funds for the biennium to fund expansion of the Food Stamp Outreach program into Lewis and Clark and Silver Bow counties. This new funding is made available to assist states in achieving increased participation in the Food Stamp Program.

DP 708 - Energy Ombudsman - The legislature provided a restricted one-time-only appropriation of \$300,000 general fund each year of the biennium to support case management staff at Human Resource Development Councils to assist low-income individuals seeking emergency energy assistance.

DP 709 - Child Care Funding Revision - The legislature provided a restricted appropriation of \$2.4 million general fund for FY 2006 and reduced federal TANF funds transferred to child care by a like amount. The legislature specified that the TANF funds made available by this action are to be used to increase the monthly TANF cash assistance benefit level.

DP 711 - Cash Assistance Benefits - Legislative Priority - The legislature added as a restricted appropriation \$2 million federal TANF funding, and specified that \$0.4 million per year of federal TANF funding (included in the base budget) that the executive indicated would support abstinence education, achievement or incentive awards, accelerated employment services or diversionary projects, and after school programs, be used to support cash assistance benefits. It is the legislature's priority that this funding be used to increase the monthly cash assistance benefit level rather than fund these items.

DP 712 - Adult Basic Education Services - The legislature provided \$125,000 per year (\$250,000 for the biennium) in federal TANF funds for adult basic education services by reducing the amount of TANF funds supporting "Higher TANF Work Participation Rates" (DP 144).

DP 717 - Child Support Pass-through, etc. (HB 529) - The legislature provided \$1,498,004 federal funds for the biennium (\$749,002 per year) to support the provisions of HB 529, which creates an "at-risk family stabilization program, earned income tax credits, and child support pass-through".

DP 718 - Revise Exemption - Public Assistance Elig. (SB 29) - The legislature provided \$808,296 federal funds to support the provisions of SB 29 revising exemption from public assistance eligibility.

DP 719 - Implement Provisions of Bills Related to I-149 - This decision package includes funding to support the provisions of HB 552 raising the Medicaid asset limit, HB 667 providing for premium assistance/tax credit, and SB 324 providing for prescription drug coverage.

DP 3005 - Child Care - The legislature provided \$600,063 general fund and \$1,463,868 state special revenue from the prevention and stabilization fund for child care services. The revenue source for the prevention and stabilization fund is the bed tax on state institutions such as the Montana Developmental Center and the Mental Health Nursing Care Center. The executive indicates that this funding would maintain child care funding at the 2005 biennium level.

DP 3200 - Low Income Energy Assistance OTO - The legislature provided a one-time-only appropriation of \$500,000 general fund for each year of the 2007 biennium for low-income energy and weatherization assistance. The weatherization assistance program targets cost-effective long-term energy conservation measures to those LIEAP households with the highest energy burdens.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The Governor has indicated his intent to line-item veto the language illustrated in *italic*, however his authority to do so is questioned and may be challenged through legal action.

“Federal temporary assistance for needy families (TANF) funds and general fund money supporting TANF maintenance of effort may not be expended for abstinence education.

TANF funds and general fund money supporting TANF maintenance of effort may be expended for the following purposes only if beginning on October 1, 2005, the cash assistance benefit level is at or above 33% of the 2005 federal poverty level index and funding for the work readiness component (WoRC) program is maintained at or above fiscal year 2005 levels:

- (1) achievement or incentive awards;
- (2) accelerated employment services or diversionary projects; or
- (3) after school programs.

This restriction has been adopted by the legislature in an effort to make funds available to support an increase in the TANF cash assistance benefit level. It is the priority of the legislature to fund increases in the TANF cash assistance benefit level rather than funding items such as those listed above.

The department shall report at each meeting of the children, families, health, and human services interim committee:

- (1) the actual amount expended and items supported by TANF block grant money in the current biennium;*
- (2) the actual amount expended and items supported by TANF maintenance of effort funds in the current biennium;*
- (3) the balance of federal TANF block grant funds that remain unexpended;*
- (4) the monthly TANF cash assistance caseload, costs of cash assistance, and the cash assistance benefit level;*
- (5) the projected annual amount to be transferred to child care and Title XX; and*
- (6) the projected TANF block grant ending fund balance for the current and next state fiscal years.*

Funding in Energy Ombudsman Services may be used only to fund case management-type staff at human resource development councils whose purpose is to assist low-income customers seeking emergency energy assistance. *The department shall provide an annual report to the members of the 2005 legislative joint appropriations subcommittee on health and human services on the successes, failures, and impact that this effort has on assisting low-income families to move toward self-sufficiency in meeting their home heating needs.*

Funding in Low Income Energy Assistance OTO includes \$500,000 in general fund money for each year of the biennium to support increases in low-income energy assistance programs.

Funding in Low Income Energy Assistance OTO includes general fund money supporting energy assistance and

weatherization. These funds may be used to support the state low-income energy assistance program, the state weatherization program, or tribal energy assistance programs.

Funding in TANF Cash Assistance Increase Benefit Level and TANF Reduce CC Transfer, Fund Cash Assistance may be used only to increase the monthly cash assistance benefit provided to TANF cash assistance recipients, and it is estimated that each \$2.4 million provided in TANF Cash Assistance Increase Benefit Level and TANF Reduce CC Transfer, Fund Cash Assistance is adequate to increase the TANF cash assistance benefit level, for the average family of three on the current caseload, by approximately \$50 a month.

Funding in Adult Basic Education supports provision of adult basic education services designed to meet the specific needs of TANF participants. Priority for funding must be given to the geographic areas that have the highest percentage of their population enrolled in the TANF program. "

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	340.45	0.00	0.00	340.45	0.00	0.00	340.45	340.45
Personal Services	13,413,633	2,567,594	696,877	16,678,104	2,574,750	1,407,210	17,395,593	34,073,697
Operating Expenses	3,595,357	131,727	0	3,727,084	164,048	0	3,759,405	7,486,489
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	5,445,386	0	1,500,000	6,945,386	0	1,600,000	7,045,386	13,990,772
Benefits & Claims	23,684,654	2,666,234	1,074,060	27,424,948	4,073,745	1,079,366	28,837,765	56,262,713
Transfers	0	0	0	0	0	0	0	0
Debt Service	88,687	0	0	88,687	0	0	88,687	177,374
Total Costs	\$46,227,717	\$5,365,555	\$3,270,937	\$54,864,209	\$6,812,543	\$4,086,576	\$57,126,836	\$111,991,045
General Fund	20,903,608	3,618,517	1,080,418	25,602,543	4,488,429	1,393,725	26,785,762	52,388,305
State/Other Special	1,451,685	431,358	298	1,883,341	431,370	706	1,883,761	3,767,102
Federal Special	23,872,424	1,315,680	2,190,221	27,378,325	1,892,744	2,692,145	28,457,313	55,835,638
Total Funds	\$46,227,717	\$5,365,555	\$3,270,937	\$54,864,209	\$6,812,543	\$4,086,576	\$57,126,836	\$111,991,045

Program Description

The Child and Family Services Division (CFSD) is responsible for administration of programs related to: child protective services (child abuse and neglect) including prevention services; domestic violence prevention grants; and other programs designed to keep children safe and families strong. CFSD organizational structure includes a number of local offices, and five regional offices that are advised by local family services advisory councils, which serve as the link between local communities and the division. CFSD is the primary user of the Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

Program Highlights

Child and Family Services Division Major Budget Highlights	
♦	Foster caseload increases above the base budget total \$2.8 million including \$2 million general fund for the biennium
♦	Subsidized adoption caseload increases above the base budget \$4.7 million including \$2.2 million general fund for the biennium
♦	The legislature provided \$840,000 total funds (\$588,000 general fund), to support a rate increase of 4 percent in the first year of the biennium for family and group home foster care providers
♦	A base adjustment to annualize the impact of Medicaid reimbursement for targeted case management adds almost \$2 million general fund for the biennium
♦	To assist with workload and federal compliance issues the legislature rejected a proposed reduction in staff and reduced vacancy savings for field staff from 4 to 2 percent

Program Narrative

Summary of Benefits and Grants

Figure 16 on the following page summarizes the costs and funding of benefit and claims costs, and grants for FY 2004 and the 2007 biennium. Foster care and subsidized adoption costs combined comprise more than 98 percent of the benefit and claims costs of the division. Funds for in-home and reunification services comprise almost 34 percent of the grant expenditures for the division. Tribal contracts and contracts to provide stipends to students obtaining degrees in social work (BSW or MSW), both funded predominately with federal Title IV-E funding, comprise more than 45 percent of the grant expenditures. Domestic violence prevention and awareness grants comprise 14 percent of the grant funds administered by the division.

Caseload Increases

The legislature provided funding to support increases in both the subsidized adoption and foster care costs based upon the executive request, as revised during subcommittee consideration. The increase in costs is projected because of caseload increases and decreases in federal funding related to eligibility for federal funds and issues of compliance with federal requirements.

Subsidized Adoption

For the 2007 biennium subsidized adoption caseload costs increase \$2.2 million general fund (\$4.7 million total funds) above the FY 2004 level. Subsidized adoption costs are projected to increase 7.6 percent between FY 2004 and 2005 and 13 to 16 percent per year in FY 2006 and 2007. Subsidized adoption caseload costs are projected to continue a compounded rate of growth of about 20 percent in the 2007 biennium. This is slightly lower than the compounded rate of growth experienced between FY 1996 through FY 2004. Both the number of subsidies and the cost per client is expected to increase. Adoption subsidies continue to increase because the number of children placed with an adoption subsidy each year is greater than the number of children “aging out” and no longer receiving subsidies. The average cost per subsidy increases because new subsidies are generally negotiated at a higher reimbursement rate than the subsidies negotiated a number of years ago. Thus, the subsidized adoption caseload is the result of cumulative increases in the number and costs of adoption subsidies.

Foster Care

Foster care costs for the 2007 biennium are projected to increase \$2.1 million general fund (\$2.8 million total funds) above the FY 2004 base budget. This increase includes caseload growth, a funding shift that increases general fund support and decreases federal funds supporting foster care costs, and funding provided by the legislature to support a provider rate increase for family and group foster care providers.

Total foster care costs are projected to increase more than 6 percent between FY 2004 and 2005, about 4 percent between FY 2005 and 2006, and by 1.5 percent between FY 2006 and 2007. Total foster care costs decreased about \$0.8 million between FY 2002 and 2003, and there were also slight decreases in costs between FY 2001 and 2002, and FY 2003 and 2004. Since reaching a high of \$17.5 million in FY 2001, foster care costs decreased about \$1.2 million to \$16.3 million in FY 2004 but are expected to reach about \$17.3 million in FY 2005. The increase in foster care caseload includes an increase in general fund support of almost \$1 million for the biennium due to a decline in federal reimbursement related to compliance issues and \$840,000 total funds (\$588,000 general fund) provided by the legislature to support a provider rate increase for family and group foster care providers.

Medicaid reimbursed targeted case management

The department implemented Medicaid reimbursement for targeted case management services during FY 2004, the base year for development of the 2007 biennium budget. The timing of implementation and receipt of reimbursement combined with revisions to the estimates decreasing the amount of reimbursement to be received resulted in an adjustment increasing general fund costs by almost \$1 million per year (\$2 million for the biennium). This is a one-time adjustment that should not be experienced in future budget cycles.

Child and Family Services Division
Summary of Benefit and Grant Costs and Funding

Program	Fiscal 2004 Base			Fiscal 2006 Appropriated			Fiscal 2007 Appropriated			Total Funds	Percent Total
	General Fund	State Spec. Rev.	Federal Funds	General Fund	State Spec. Rev.	Federal Funds	General Fund	State Spec. Rev.	Federal Funds		
Benefits & Claims											
Foster Care	\$8,617,133	\$1,319,848	\$6,397,607	\$10,009,974	\$1,750,000	\$6,298,656	\$10,254,096	\$1,750,000	\$6,319,275	\$18,323,371	63.5%
Subsidized Adoption	3,374,032	0	3,687,409	4,333,010	0	4,497,683	4,935,572	0	5,043,197	9,978,769	34.6%
Chafee - Independent Living	0	0	102,081	0	0	102,081	0	0	102,081	102,081	0.4%
Chafee - ETB - BA	0	0	0	0	0	157,000	0	0	157,000	157,000	0.5%
Children's Trust Fund	0	3,677	96	0	3,677	96	0	3,677	96	3,773	0.0%
Community Based Challenge	0	0	4,646	0	0	4,646	0	0	4,646	4,646	0.0%
Domestic Violence	764	532	4,983	764	532	4,983	764	532	4,983	6,280	0.0%
In-home and Reunification	93,327	0	74,787	42,029	0	126,085	42,029	0	126,086	168,115	0.6%
Regional Office Admin	436	0	732	456	0	712	457	0	711	1,168	0.0%
Central Office	1,250	12	1,301	91,250	12	1,301	91,250	12	1,301	92,563	0.3%
Total Benefits & Claims	\$12,086,943	\$1,324,069	\$10,273,642	\$14,477,483	\$1,754,221	\$11,193,243	\$15,324,168	\$1,754,221	\$11,759,377	\$28,837,766	100.0%
Grants											
Central Office	\$0	\$0	\$487,999	\$0	\$0	\$1,687,999	\$0	\$0	\$1,687,999	\$1,687,999	24.0%
Tribal Contracts	301,897	0	1,140,142	301,897	0	1,140,142	301,897	0	1,140,142	1,442,039	20.5%
CAPTA - Basic State Grant	0	0	20,000	0	0	20,000	0	0	20,000	20,000	0.3%
Children's Trust Fund	0	30,618	801	0	30,618	801	0	30,618	801	31,419	0.4%
Chafee - Independent Living	0	0	351,981	0	0	351,981	0	0	351,981	351,981	5.0%
Community Based Challenge	0	0	133,372	0	0	133,372	0	0	133,372	133,372	1.9%
Domestic Violence	122,510	85,343	798,863	122,510	85,343	798,863	122,510	85,343	798,863	1,006,716	14.3%
In-home & Reunification	1,153,418	0	818,442	1,153,418	0	1,118,441	1,153,418	0	1,218,441	2,371,859	33.7%
Total Grants	\$1,577,825	\$115,961	\$3,751,600	\$1,577,825	\$115,961	\$5,251,599	\$1,577,825	\$115,961	\$5,351,599	\$7,045,385	100.0%

Figure 16

Federal Review

In the past two to three years, CFSD has been the subject of two federal reviews. In August of 2002 the division had its first federal Child and Family Service Review (CFSR) by the Administration of Children and Families, the federal agency responsible for oversight and management of the federal foster care and adoption programs operated under Title IV-E of the Social Security Act. Since the passage of the federal Adoption and Safe Families Act (ASFA) in 1997, states have been reviewed utilizing revised criteria that focus on the achievement of positive outcomes for children. Since the inception of this new type of review, no state has achieved compliance with all of the performance measures, and every state reviewed to date has been required to enter into a performance improvement plan (PIP). Montana's PIP was approved by the federal agency in January of 2004. The estimated penalty to the state as a result of the findings of the CFSR was a \$3.4 million reduction in federal funds.

Information presented to the legislature by the division indicates that the division may not satisfactorily complete all items included in its performance improvement plan. Division staff indicated they are confident that compliance will be achieved for four of the nine outcome measures in question, but are not confident that compliance will be achieved for the remaining five outcome measures in question. Division staff indicated the potential penalty for noncompliance in the first year is about \$400,000 of lost federal reimbursement for each outcome measure that is not in compliance with federal regulations. If compliance with five of the outcome measures is not achieved, the estimated penalty is about \$2 million the first year and increases in subsequent years if compliance is not achieved.

In addition to this review, a review of federal IV-E eligibility compliance was completed in June of 2003. The Title IV-E foster care eligibility review included 80 cases. Of those 80 cases, 22 cases were found to be in error in either all or part of the review period and 7 cases, while not defined as an error case, had a disallowance. Because the number of error cases exceeded four, the Administration for Children and Families determined Montana not in substantial compliance with federal IV-E eligibility requirements. As a result Montana must enter into a PIP designed to correct these errors. Per the review report, "An analysis of the error and disallowance cases reveals that the majority of the errors relate to court findings." As a result of this review, \$317,752 of reimbursement claimed under the federal IV-E program was disallowed and must be repaid. Because this was a preliminary review the findings of this review were not extrapolated and applied to the entire population for which federal reimbursement was claimed. The division is scheduled for another IV-E eligibility review in 2005 and the findings of this review will be extrapolated and applied to the entire population for which federal reimbursement was claimed. Thus, the potential penalties and disallowances due to compliance issues identified in future reviews are much greater than those experienced to date.

To assist the division with workload and federal compliance issues the legislature rejected a proposed reduction in staffing that would have removed \$546,353 in total funds (\$255,502 general fund) supporting about 6.35 FTE and provided \$505,964 total funds (\$189,023 general fund) for the biennium to reduce the vacancy savings rate for field staff from 4 to 2 percent.

These issues also resulted in the division experiencing a deficit in FY 2005. A supplemental appropriation totaling \$3.7 million general fund was provided by the legislature in HB 745.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature

		Program Funding Table Child & Family Services					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 20,903,608	45.2%	\$ 25,602,543	46.7%	\$ 26,785,762	46.9%
	01100 General Fund	20,903,608	45.2%	25,602,543	46.7%	26,785,762	46.9%
02000	Total State Special Funds	1,451,685	3.1%	1,883,341	3.4%	1,883,761	3.3%
	02089 Child Abuse & Neglect Program	31,103	0.1%	31,103	0.1%	31,103	0.1%
	02209 Third Party Contributions-F.C.	1,320,071	2.9%	1,750,000	3.2%	1,750,000	3.1%
	02376 02 Indirect Activity Prog 03	7,836	0.0%	9,437	0.0%	9,661	0.0%
	02473 Assault Intervention & Trtmnt	85,972	0.2%	85,955	0.2%	85,956	0.2%
	02496 Family Preservation Conference	6,703	0.0%	6,846	0.0%	7,041	0.0%
03000	Total Federal Special Funds	23,872,424	51.6%	27,378,325	49.9%	28,457,313	49.8%
	03109 Tanf Benefits	1,799,999	3.9%	1,799,999	3.3%	1,799,999	3.2%
	03224 Access & Visitation Grt 93.597	95,205	0.2%	95,205	0.2%	95,205	0.2%
	03458 6901 - Chafce - Etv 93.599	-	-	157,000	0.3%	157,000	0.3%
	03522 93.556 - Family Preservation	962,847	2.1%	1,162,847	2.1%	1,262,847	2.2%
	03526 93.643 - Child Justice	70,893	0.2%	70,893	0.1%	70,893	0.1%
	03530 6901-Foster Care 93.658	6,611,618	14.3%	7,783,885	14.2%	7,814,226	13.7%
	03531 6901-Subsidized Adopt 93.659	3,739,624	8.1%	4,560,464	8.3%	5,107,630	8.9%
	03532 93.669 - Child Abuse	90,853	0.2%	90,853	0.2%	90,853	0.2%
	03533 93.671 - Domestic Violence	804,747	1.7%	804,747	1.5%	804,747	1.4%
	03534 93.672 - Child Abuse Challenge	147,342	0.3%	147,327	0.3%	147,328	0.3%
	03536 93.674 - Iv-E Independent Livi	470,868	1.0%	570,859	1.0%	570,859	1.0%
	03593 03 Indirect Activity Prog 03	9,078,428	19.6%	10,134,246	18.5%	10,535,726	18.4%
Grand Total		\$ 46,227,717	100.0%	\$ 54,864,209	100.0%	\$ 57,126,836	100.0%

The division is funded from a variety of sources, with the precise funding and federal matching rates varying by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers as one factor in allocating funding the results of a random moment time study of social worker time spent on various activities. The major funding sources for the division include general fund (almost 47 percent), federal foster care and adoption subsidy funds (almost 23 percent), and federal funds obtained through the cost allocation process (18 percent). Most of the general fund supporting the division is used as matching funds to draw federal funds. The only major activity of the division that is supported entirely by the general fund is the centralized intake function.

Biennial Comparison

The 2007 biennium budget for the division is \$15 million or 16 percent greater than the 2005 biennium budget (Figure 17). However, if the division's general fund supplemental appropriation is included in the calculation this increase decreases to about \$12 million, slightly less than 12 percent. The increase in general fund is due to caseload increases, pay plan adjustments, statewide present law adjustments for personal services, and a funding shift related to financial compliance and eligibility for federal funds that resulted in a larger share of division costs being supported by the general fund. State special revenue increases slightly due to anticipated increases in social security benefits paid on behalf of children in care. Federal funds increase primarily due to anticipated increases in federal grants.

Figure 17
2005 Biennium Compared to 2007 Biennium
Child and Family Services Division

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	340.45	340.45		-	
Personal Services	\$27,684,668	\$34,083,179	30.4%	\$6,398,511	23.1%
Operating	7,457,298	7,486,489	6.7%	29,191	0.4%
Equipment	22,955	0	0.0%	(22,955)	-100.0%
Capital Outlay	28,398	0	0.0%	(28,398)	-100.0%
Grants	8,944,313	13,990,772	12.5%	5,046,459	56.4%
Benefits/Claims	52,345,873	56,262,713	50.2%	3,916,840	7.5%
Debt Service	103,336	177,374	0.2%	74,038	71.6%
Total Costs	\$96,586,841	\$112,000,527	100.0%	\$15,413,686	16.0%
General Fund	\$40,970,711	\$52,397,787	46.8%	\$11,427,076	27.9%
State Special	3,446,235	3,767,102	3.4%	320,867	9.3%
Federal Funds	52,169,895	55,835,638	49.9%	3,665,743	7.0%
Total Funds	\$96,586,841	\$112,000,527	100.0%	\$15,413,686	16.0%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				2,087,764					2,081,953	
Vacancy Savings				(620,051)					(619,828)	
Inflation/Deflation				(31,665)					(30,773)	
Fixed Costs				8,921					9,853	
Total Statewide Present Law Adjustments				\$1,444,969					\$1,441,205	
DP 15 - Subsidized Adoption Caseload Increase	0.00	820,550	0	948,702	1,769,252	0.00	1,365,886	0	1,551,442	2,917,328
DP 18 - Foster Care Caseload Increase	0.00	565,303	429,929	(98,250)	896,982	0.00	751,735	429,929	(25,247)	1,156,417
DP 35 - Annualize Medicaid Targeted Case Management Costs	0.00	979,881	0	0	979,881	0.00	992,625	0	0	992,625
DP 36 - FMAP Adjustment -Foster Care & Subsidized Adoption	0.00	265,392	0	(265,392)	0	0.00	375,104	0	(375,104)	0
DP 49 - Overtime - Replace Base Budget	0.00	48,000	0	72,000	120,000	0.00	48,000	0	72,000	120,000
DP 53 - Rent Increases	0.00	61,788	0	92,683	154,471	0.00	73,987	0	110,981	184,968
Total Other Present Law Adjustments										
	0.00	\$2,740,914	\$429,929	\$749,743	\$3,920,586	0.00	\$3,607,337	\$429,929	\$1,334,072	\$5,371,338
Grand Total All Present Law Adjustments				\$5,365,555					\$6,812,543	

DP 15 - Subsidized Adoption Caseload Increase - The legislature provided \$2.2 million general fund and \$2.5 million federal funds for the biennium to support anticipated increases in the subsidized adoption caseload.

DP 18 - Foster Care Caseload Increase - The legislature provided \$1.3 million general fund, \$1.1 million total funds, to support an increase in the foster care caseload and a change in funding for foster care costs.

DP 35 - Annualize Medicaid Targeted Case Management Costs - The legislature provided almost \$2 million of general fund for the biennium to annualize the impacts of implementation of Medicaid reimbursement for targeted case management (TCM) services provided to foster care children and reductions in federal Title IV-E funding support for administrative costs.

DP 36 - FMAP Adjustment -Foster Care & Subsidized Adoption - The legislature provided \$640,496 general fund with an offsetting reduction in federal funds to include the impact of the change in the Federal Medical Assistance Participation (FMAP) Rate in the 2007 biennium budget for foster care and subsidized adoption benefit payments.

DP 49 - Overtime - Replace Base Budget - The legislature provided \$96,000 general fund (\$240,000 total funds) for the biennium for overtime compensation and the payout of compensatory time earned in excess of 120 hours. Per the division, overtime may occur when social workers get called out at night or are required to work additional hours due to staff shortages.

DP 53 - Rent Increases - The legislature provided \$135,775 general fund (\$339,439 total funds) for the biennium for increased rent costs. The division pays rent in 39 local offices across the state. According to the division most of the rental agreements have been negotiated for several years into the future and include annual inflationary increases ranging from 1.5 percent to 3 percent except for the Billings office (one of the largest offices), which has a negotiated 5 percent increase per year.

Per the division, two major changes make up a significant portion of this rental increase. Due to the expiration of the lease and the sale of the building, the Missoula office has changed location effective July 2004. The new location is co-located with the Office of Public Assistance and resulted in a significant increase in costs per square foot (57 percent). Additionally, the current location of the Great Falls office was seen as inadequate due to safety concerns and inadequate space for confidential family meetings. The Great Falls office is negotiating a change of location and anticipates rent will increase 45 percent above the base year costs.

New Proposals

New Proposals		-----Fiscal 2006-----				-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 152 - Increased Federal Grants											
03	0.00	0	0	300,000	300,000	0.00	0	0	400,000	400,000	
DP 177 - Education and Training Vouchers for Foster Youth											
03	0.00	0	0	157,000	157,000	0.00	0	0	157,000	157,000	
DP 178 - Social Services Stipend Program											
03	0.00	0	0	1,200,000	1,200,000	0.00	0	0	1,200,000	1,200,000	
DP 703 - Reduce Vacancy Savings to 2 percent											
03	0.00	94,527	0	158,497	253,024	0.00	94,496	0	158,444	252,940	
DP 704 - Family Foster Care Rate Increase											
03	0.00	192,000	0	82,286	274,286	0.00	192,000	0	82,286	274,286	
DP 705 - Foster Care Group Home Rate Increase											
03	0.00	102,000	0	43,714	145,714	0.00	102,000	0	43,714	145,714	
DP 3201 - Foster Care Clothing Allowance											
03	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000	
DP 3203 - Big Brothers Big Sisters											
03	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000	
DP 3205 - Foster Care Increase											
03	0.00	377,060	0	0	377,060	0.00	382,366	0	0	382,366	
DP 6010 - 2007 Biennium Pay Plan - HB 447											
03	0.00	194,831	298	248,724	443,853	0.00	502,863	706	650,701	1,154,270	
Total	0.00	\$1,080,418	\$298	\$2,190,221	\$3,270,937	0.00	\$1,393,725	\$706	\$2,692,145	\$4,086,576	

DP 152 - Increased Federal Grants - The legislature approved \$700,000 federal funds for the biennium for increases in various grants including: 1) \$200,000 in FY 2006 and \$300,000 in FY 2007 for the Safe and Stable Families grant (Title IV-B, Subpart 2) and 2) \$100,000 per year for the Independent Living Grant. Both grants require a 20 percent match. The division states it has adequate matching funds in the base budget to draw the Safe and Stable Families grant and that the match for the Independent Living grant will be provided at the local level.

DP 177 - Education and Training Vouchers for Foster Youth - The legislature approved \$314,000 federal funds for the Education and Training Voucher (ETV) program, which is a newly authorized purpose under the Chafee Foster Care Independence Program (CFCIP). This grant targets resources to meet the specific education and training needs of youth aging out of foster care. This grant requires a 20 percent match, which is provided by the independent Casey Family Program.

DP 178 - Social Services Stipend Program - The legislature approved \$2.4 million federal funds for the biennium to provide stipends for social workers to obtain bachelor or master degrees in social work (BSW or MSW). The matching funds to support this program are provided by participating colleges. Currently, such a program (funded with federal IV-E funds) exists in conjunction with the University of Montana and Salish Kootenai College. BSW or MSW students may be provided a stipend in exchange for a commitment to work for a child welfare agency upon graduation (as required in federal regulations). In addition to the stipends, the schools also assisting in the selection process, create courses specifically focused on child protective services, collaborate with division staff in designing field experiences, and provide other services.

DP 703 - Reduce Vacancy Savings to 2 percent - The legislature provided \$189,023 general fund and \$316,941 federal funds (\$505,864 total funds) for the biennium to reduce vacancy savings for field services, particularly social work positions from 4 to 2 percent.

DP 704 - Family Foster Care Rate Increase - The legislature provided \$384,000 general fund for the biennium and related federal matching funds to support a 4 percent rate increase in the first year of the biennium for family foster care providers.

DP 705 - Foster Care Group Home Rate Increase - The legislature provided \$204,000 general fund and related federal matching funds to support a 4 percent rate increase in the first year of the biennium for foster care group and shelter homes.

DP 3201 - Foster Care Clothing Allowance - The legislature provided \$60,000 general fund for the biennium to restore recent cuts to the clothing allowance for children in foster care.

DP 3203 - Big Brothers Big Sisters - The legislature provided \$180,000 general fund for the biennium to support Big Brothers Big Sisters programs of Montana. Big Brothers Big Sisters is a statewide organization that matches children with an adult volunteer big brother or big sister and provides services to about 350 children each month.

DP 3205 - Foster Care Increase - The legislature provided \$759,426 general fund for the biennium to support increases in foster care costs.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The Governor has indicated his intent to line-item veto the language illustrated in *italic*, however his authority to do so is questioned and may be challenged through legal action.

"Child and Family Services Division includes \$126,401 in general fund money and \$143,838 in federal funds for fiscal year 2006 and \$129,101 in general fund money and \$147,013 in federal funds for fiscal year 2007 to replace funding removed because of the across-the-board personal services reduction implemented by the 2003 legislature and to support social work staff providing services to clients. *The department shall report to the legislative finance committee and members of the 2005 legislative joint appropriations subcommittee on health and human services annually, at fiscal yearend, on the impact of this additional staffing on division operations and compliance with federal requirements.*

Funding in Foster Care – Respite Allowance may be used only to provide foster care-related respite care.

Funding in Foster Care – Transportation may be used only to provide foster care-related respite care, transportation, diapers, or clothing.

Funding in Foster Care – Diapers may be used only to provide foster care-related diaper allowances.

Funding in Foster Care – Clothing may be used only to provide foster care-related clothing allowances."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding. Pay plan funding from HB 447 is also included in the table.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	36.75	0.00	7.00	43.75	0.00	7.00	43.75	43.75
Personal Services	2,618,625	(572,292)	442,464	2,488,797	(572,143)	513,955	2,560,437	5,049,234
Operating Expenses	852,235	11,439	3,496	867,170	12,242	4,939,841	5,804,318	6,671,488
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	1,000,000	1,000,000	0	10,120,000	10,120,000	11,120,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	8,282	0	4,560	12,842	0	4,560	12,842	25,684
Total Costs	\$3,479,142	(\$560,853)	\$1,450,520	\$4,368,809	(\$559,901)	\$15,578,356	\$18,497,597	\$22,866,406
General Fund	1,438,349	(259,731)	230,790	1,409,408	(256,752)	(275,368)	906,229	2,315,637
State/Other Special	290,435	(42,344)	(1,561)	246,530	(42,085)	106,907	355,257	601,787
Federal Special	1,750,358	(258,778)	1,221,291	2,712,871	(261,064)	15,746,817	17,236,111	19,948,982
Total Funds	\$3,479,142	(\$560,853)	\$1,450,520	\$4,368,809	(\$559,901)	\$15,578,356	\$18,497,597	\$22,866,406

Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are the deputy director, state Medicaid director, legal affairs, personnel services, public information, the Prevention Resource Center, the AmeriCorps*VISTA Program, as well as the Office of Planning, Coordination, and Analysis. The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

Director's Office Major Budget Highlights	
♦	The FY 2007 Director's Office budget increases \$14 million in federal funds, compared to the FY 2004 base budget, due to two Medicaid redesign recommendations (HIFA waiver and waiver of deeming – discussed in detail in the DPHHS overview)
♦	General fund costs in the 2007 biennium budget are lower than base budget costs because: <ul style="list-style-type: none"> ♦ One time department wide termination payouts were removed from the base budget ♦ The legislature removed \$0.5 million in general fund due to anticipated savings in Medicaid services administered by other programs and added language in HB 2 that the savings could be allocated among other programs ♦ The legislature removed funding to support a second deputy director position, lowering general fund by about \$74,000 over the biennium
♦	Personal services funding increases to support 7.00 new FTE <ul style="list-style-type: none"> ♦ 6.00 FTE are due to a reorganization of the Budget Unit from the Operations and Technology Division ♦ 1.00 FTE was added by legislative initiative to support Tribal programs

Program Narrative

The FY 2006 appropriation for the Director's Office is about \$0.9 million higher than FY 2004 base budget expenditures and in FY 2007 the appropriation grows about \$15 million compared to the base expenditures. The significant increase in FY 2007 is due to the \$14.25 million federal appropriation for the HIFA (Health Insurance Flexibility and Accountability) waiver – the center of the executive Medicaid redesign proposal, which is discussed in greater detail in the agency overview. The Medicaid redesign recommendations, including legislative action on the policy options, are discussed in the agency overview because more than one division is affected and because of the major policy issues associated with the recommendations. The appropriations are attached to the Director's Office, but directly affect programs and expenditures in three other divisions – Health Resources, Operations and Technology, and Addictive and Mental Disorders divisions.

Present law changes for the Director's Office are negative for both years of the 2007 biennium due to removal of department wide termination payouts of about \$835,000. Other operating and personal services cost increases offset part of the general fund reduction due to removal of termination costs.

Agencies must pay accumulated annual leave and overtime leave as well as a portion of unused sick leave when employees retire or leave state employment or when their positions are eliminated due to a reduction in force or reorganization. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed from the base budget as a one-time expense. Since termination payouts are funded from a combination of general fund, state special revenue and federal funds, removal of termination costs accounts for a reduction of about \$354,000 general fund and \$61,000 state special revenue from the base budget compared to the annual requests for the 2007 biennium. Funds are transferred from other divisions in DPHHS to pay termination costs.

Other significant increases and decreases in the Director's Office 2007 biennium appropriation are:

- Incorporation of a reorganization of 6.00 FTE and funding for the Budget Unit from the Operations and Technology Division
- Legislative initiative to add funding for 1.00 FTE for Tribal programs
- Legislative reduction of \$500,000 general fund in FY 2007 due to legislative initiatives to fund staff and legislative approval of executive appropriation requests to better manage Medicaid expenditures in all Medicaid services
- Legislative reduction of \$200,000 over the biennium (including about \$74,000 general fund) to remove funding for a second deputy director position

If the major changes, including the reorganization, are netted out, the 2007 biennium appropriation for the Director's Office closely resembles funding and FTE levels in the base budget year.

The legislature added language to HB 2 directing how the funding appropriated for Tribal programs must be spent. However, the Governor struck the language from the bill. The language that was stricken required the funds be used to:

- Develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff
- Identify and resolve barriers and work on innovative programs for tribes to access federal Medicaid pass-through funding for allowable costs

The legislature also required the department to report to the Legislative Finance Committee on the use of the appropriation.

Biennial Comparison

Figure 18 shows the 2005 biennium expenditure and appropriations (about \$6 million) compared to the appropriation for the 2007 biennium (about \$23 million). The 2007 biennium grows \$17 million because of the two additions for federal funds to implement Medicaid redesign recommendations. General fund support for the 2007 biennium is about \$0.1 million lower than the 2005 biennium due to general fund reductions made by the legislature and due to removal of one-time termination payouts in the base budget.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

Figure 18 2005 Biennium Compared to 2007 Biennium Director's Office					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	36.75	43.75		7.00	19%
Personal Services	\$4,382,026	\$5,049,234	22%	\$667,208	15%
Operating	1,493,216	6,671,488	29%	5,178,272	347%
Equipment	0	0	0%	0	n/a
Benefits/Claims	0	11,120,000	49%	11,120,000	n/a
Debt Service	20,478	25,684	0%	5,206	25%
Total Costs	\$5,895,720	\$22,866,406	100%	\$16,970,686	288%
General Fund	\$2,422,636	\$2,315,637	10%	(\$106,999)	-4%
State Special	495,745	601,787	3%	106,042	21%
Federal Funds	2,977,339	19,948,982	87%	16,971,643	570%
Total Funds	\$5,895,720	\$22,866,406	100%	\$16,970,686	288%

Program Funding Table Director's Office							
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Funds	\$ 1,438,349	41.3%	\$ 1,409,340	32.3%	\$ 904,908	4.9%
	01100 General Fund	1,438,349	41.3%	1,409,340	32.3%	904,908	4.9%
02000	Total State Special Funds	290,435	8.3%	246,530	5.6%	355,257	1.9%
	02099 69010-Vista-Community Cost Shr	70,311	2.0%	75,664	1.7%	76,830	0.4%
	02377 02 Indirect Activity Prog 04	220,124	6.3%	170,866	3.9%	178,427	1.0%
	02774 Waiver Of Deeming	-	-	-	-	100,000	0.5%
03000	Total Federal Special Funds	1,750,358	50.3%	2,712,872	62.1%	17,236,111	93.2%
	03072 69010-Cns-Grants-Vista	229,717	6.6%	238,433	5.5%	242,285	1.3%
	03580 6901-93.778 - Med Adm 50%	-	-	52,000	1.2%	5,000,000	27.0%
	03583 93.778 - Med Ben Fmap	-	-	1,000,000	22.9%	10,520,000	56.9%
	03594 03 Indirect Activity Prog 04	1,520,641	43.7%	1,422,439	32.6%	1,473,826	8.0%
Grand Total		\$ 3,479,142	100.0%	\$ 4,368,742	100.0%	\$ 18,496,276	100.0%

The Director's Office is funded by a combination of general fund, state special revenue, and federal special revenue. The majority of the functions are cost allocated through a complex plan approved by federal oversight agencies.

General fund supports 41 percent of the Director's Office base budget. The total general fund appropriated in FY 2007 is about \$0.5 million less than base budget funding despite the increase due to the reorganization of the budget unit because of the legislative reductions for anticipated Medicaid service cost reductions and to removal of funding to support the second deputy director position, as well as the removal of termination payouts in the base budget.

State special revenue supporting the Director's Office is from two sources - cost allocation, which is the most significant, and community cost share for VISTA volunteers. The Office of Prevention Resources administers the VISTA program, which is also supported by a federal grant.

Federal funds include costs allocated across funding sources (indirect cost allocation), VISTA grants funds, and federal Medicaid matching funds.

Program Reorganization

The legislature structured appropriations to accommodate a small reorganization that moved the Budget Unit (6.00 FTE and operating costs) from the Operations and Technology Division to the Director's Office. The annual appropriation for the Budget Unit is about \$376,000, including about \$163,000 general fund. The functions of the Budget Unit are cost allocated among all programs in DPHHS.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Statewide present law adjustments for this program show a significant reduction compared to base budget expenditures. Termination payouts for all of DPHHS are recorded in the personnel unit of the Director's Office and divisions with terminations transfer funds to cover the payouts. FY 2004 base budget termination payouts of about \$834,000 were removed, causing the statewide present law adjustments to net to a negative \$0.5 million annually. About 41 percent of those costs would be funded from the general fund.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(445,490)					(445,211)
Vacancy Savings				(86,925)					(86,935)
Inflation/Deflation				(600)					(579)
Fixed Costs				12,039					12,821
Total Statewide Present Law Adjustments				(\$520,976)					(\$519,904)
DP 9900 - Maintain Administrative Cost Mix at FY 2004 Level	0.00	(12,675)	0	12,675	0	0.00	(12,686)	0	12,686
DP 9999 - Statewide FTE Reduction	0.00	(19,532)	(215)	(20,130)	(39,877)	0.00	(19,591)	(216)	(20,190)
				(39,877)					(39,997)
Total Other Present Law Adjustments	0.00	(\$32,207)	(\$215)	(\$7,455)	(\$39,877)	0.00	(\$32,277)	(\$216)	(\$7,504)
									(\$39,997)
Grand Total All Present Law Adjustments				(\$560,853)					(\$559,901)

DP 9900 - Maintain Administrative Cost Mix at FY 2004 Level - The legislature removed \$25,361 general fund from the Director's Office 2007 biennium budget request and raised federal funds by a like amount. This action maintains the 2007 biennium funding mix at the funding mix in the base budget year.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive recommendation to reduce personal services general fund equal to the across-the-board personal services reduction that was made for the 2005 biennium by the 2003 Legislature. The funding reduction is equivalent to 0.75 FTE and has the effect of increasing vacancy savings, since the legislature did not accept the executive proposal to remove the permanent FTE slot.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 149 - Federal Authority to Refinance DD Services										
04	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 188 - HIFA Waiver										
04	0.00	0	0	0	0	0.00	0	0	14,520,000	14,520,000
DP 189 - Waiver of Deeming (Requires Legislation)										
04	0.00	0	0	0	0	0.00	0	100,000	0	100,000
DP 702 - Move Budget Management to the Director's Office										
04	6.00	163,546	9,399	203,022	375,967	6.00	163,387	9,390	202,825	375,602
DP 3420 - Funding for the Prevention Resource Center										
04	0.00	23,472	(9,985)	(13,487)	0	0.00	23,472	(9,985)	(13,487)	0
DP 3602 - Tribal Programs										
04	1.00	52,000	0	52,000	104,000	1.00	0	0	0	0
DP 3621 - Remove \$100,000 from Director's Office										
04	0.00	(37,147)	(6,281)	(56,572)	(100,000)	0.00	(37,146)	(6,282)	(56,572)	(100,000)
DP 6010 - 2007 Biennium Pay Plan - HB 447										
04	0.00	28,919	5,306	36,328	70,553	0.00	74,919	13,784	94,051	182,754
DP 9901 - Reduction for Medicaid Cost Efficiencies										
04	0.00	0	0	0	0	0.00	(500,000)	0	0	(500,000)
Total	7.00	\$230,790	(\$1,561)	\$1,221,291	\$1,450,520	7.00	(\$275,368)	\$106,907	\$15,746,817	\$15,578,356

DP 149 - Federal Authority to Refinance DD Services - The legislature approved \$1 million in federal appropriation authority each year of the biennium to "refinance" general fund program costs either fully or partially with federal funds. The executive budget originally included this request in the Disability Services Division budget. However, the legislature approved and moved the request to the Director's Office so that it could be managed by and coordinated with other department refinancing efforts.

DP 188 - HIFA Waiver - The legislature approved the executive request for federal authority to pursue a HIFA waiver, which is discussed as part of Medicaid redesign in the agency overview. The federal authority appropriated in the Director's Office will be redistributed to other programs, most notably the Health Resources Division and the Addictive and Mental Disorders Division, as the HIFA waiver is implemented.

The executive proposal originally included 6.00 new FTE to administer and manage the HIFA waiver. DPHHS requested that the FTE slots be removed and indicated that modified level (not permanent) FTE would be used as needed.

DP 189 - Waiver of Deeming - The legislature approved \$100,000 of state special revenue for the waiver of deeming proposal. This type of waiver allows DPHHS to exclude parental income and assets in determination of a child's eligibility for Medicaid. DPHHS already administers two such waivers for physically disabled children and developmentally disabled children. Approval of this appropriation allows DPHHS to create a third waiver for children with a serious emotional disturbance or mental illness to become Medicaid eligible without consideration of parental income. These waivers also provide services that are not a standard component of the Medicaid program.

As part of this proposal, DPHHS will request waiver authority to collect co-payments for all children in Medicaid waiver services based on the family ability to pay, with co-payments required for families with incomes above 400 percent of the federal poverty level (\$77,400 for a family of four, based on the 2005 poverty level). Co-payments collected for services will be used to support the state match for additional Medicaid waiver services.

DP 702 - Move Budget Management to the Director's Office - This decision package reflects a minor reorganization undertaken by the department that moves the internal budget management function from the Operations and Technology Division to the Director's Office. The reorganization increases the appropriations for operating costs and personal services by 6.00 FTE.

DP 3420 - Funding for the Prevention Resource Center - The legislature accepted the executive request to add \$46,944 general fund over the biennium to continue the Prevention Resource Center, which manages the state VISTA volunteer program. Federal funding from the VISTA grant may no longer be used to support administrative costs. This funding switch allowed continuation of the program at its current level. This request was added after the printed executive budget was published.

DP 3602 - Tribal Programs - The legislature added \$52,000 general fund and a like amount of federal matching funds over the biennium to fund a new FTE. The legislature added language to HB 2 requiring the department to provide a report to the Legislative Finance Committee on the functions and activities of the FTE, and restricted the appropriation for tribal programs. The legislature outlined the following outcomes for use of the appropriation and funding for an FTE:

- Develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff
- Identify and resolve barriers and work on innovative programs for tribes to access federal Medicaid funds
- Help Tribes maximize Medicaid pass-through funding for allowable costs

This legislative initiative is one of several designed to help expand health services without increasing general fund costs. Since Medicaid services provided by Indian Health Services (I.H.S.) are reimbursed fully from federal funds, the legislature reasoned that helping Tribes access all allowable federal Medicaid funds would strengthen health services on reservations.

DP 3621 - Remove \$100,000 from Director's Office - The legislature removed \$100,000 annually from the Director's Office budget. The general fund reduction is \$74,293 over the biennium. State special revenue was reduced \$12,563, and federal funds were reduced \$113,134. The legislature removed funding that DPHHS had indicated was available to support a second deputy director position.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan.

DP 9901 - Reduction for Medicaid Cost Efficiencies - The legislature reduced general fund by \$500,000 in FY 2007. The reduction is anticipated due to several funding increases added by the legislature at its own initiative as well as executive requests that the legislature approved. The general fund reduction can be allocated across Medicaid programs and services when the department develops the 2007 biennium operating plans.

The specific proposals that the legislature believes will reduce costs while enhancing access to and quality of care are funding for:

- Staff to work with Tribes to ensure federal reimbursement for allowable Medicaid services provided by Indian Health Services providers
- Medicaid management staff to pursue innovative proposals, such as waiving co-payments for persons who call the "Nurse First" hot line and follow the care recommendations made by the Nurse First responders
- Staff to expand the disease management program and to undertake Medicaid program analysis to identify areas where costs and care can be more efficiently managed
- Contract services to upgrade the Medicaid data management system

Language

The legislature approved the following language for inclusion in HB 2.

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"Funding for the Director's Office includes a \$500,000 reduction in general fund money in fiscal year 2007 from savings due to activities funded in Tribal Programs to assist Indian health services in claiming additional federal pass-through Medicaid funding. The department may allocate this funding reduction among programs that administer Medicaid services when developing the 2007 biennium operating plans.

Funds in Tribal Programs may be used only to hire an FTE to work with tribes to provide technical assistance on provision of pass-through federal medicaid funding for Indian health services. The appropriation must be used to:

- (1) develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff.; and
- (2) identify and resolve barriers and work on innovative programs for tribes to access federal medicaid pass-through funding for allowable costs.

The department shall submit a report regarding the use of this appropriation and progress toward these goals on July 1, 2005, and again on July 1 and November 1, 2006, to the members of the 2005 legislative joint appropriations subcommittee on health and human services."

Funding in Prescription Drug Program -- SB 324 is contingent upon passage and approval of Senate Bill No. 324 and may be used only to implement Senate Bill No. 324."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	168.25	0.00	0.00	168.25	0.00	0.00	168.25	168.25
Personal Services	6,737,069	652,045	223,583	7,612,697	637,211	584,022	7,958,302	15,570,999
Operating Expenses	1,617,217	52,974	1,263,678	2,933,869	52,978	0	1,670,195	4,604,064
Equipment	24,400	0	0	24,400	0	0	24,400	48,800
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$8,378,686	\$705,019	\$1,487,261	\$10,570,966	\$690,189	\$584,022	\$9,652,897	\$20,223,863
General Fund	271,275	(1,482)	1,660,023	1,929,816	(6,706)	392,078	656,647	2,586,463
State/Other Special	2,056,466	240,808	(319,806)	1,977,468	237,541	(192,149)	2,101,858	4,079,326
Federal Special	6,050,945	465,693	147,044	6,663,682	459,354	384,093	6,894,392	13,558,074
Total Funds	\$8,378,686	\$705,019	\$1,487,261	\$10,570,966	\$690,189	\$584,022	\$9,652,897	\$20,223,863

Program Description

The Child Support Enforcement Division (CSED) is responsible for pursuing and obtaining financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures that obligated parents maintain medical health insurance coverage for their dependent children. As required by federal law, services are available to any applicant regardless of income or resource level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Division Major Budget Highlights	
♦	General fund support increases \$2 million between the 2005 and 2007 biennium <ul style="list-style-type: none"> • The general fund increase declines to \$1.2 million when the FY 2005 supplemental appropriation approved by the legislature is included • 2005 biennium funding for the division from the diversion of tobacco settlement proceeds is replaced by general fund in the 2007 biennium budget
♦	State special revenue from the retention of a portion of child support collections and federal incentive funds continues a slight decline

Program Narrative

The Child Support Enforcement Division (CSED) pursues and obtains financial and medical support from non-custodial parents. Under federal regulation these services must be available to anyone who applies, regardless of the family income and resource level. Historically, CSED funding has included little or no general fund. For a number of years the division's activities were funded with state special revenue from collections of child support and federal funds. However, in recent years state special revenues have declined, and ongoing funding for the division has been an issue faced by several legislatures.

Funding child support activities becomes more complicated when the potential ramifications of maintenance of a child support enforcement program are considered. Under federal regulation, states must maintain a child support enforcement program that meets the requirements of Title IV-D of the Social Security Act in order to receive federal funding and so that the state is eligible to receive the federal Temporary Assistance for Needy Families (TANF) Block Grant that provides Montana about \$44 million of federal funding annually.

The legislature considered these issues when considering the 2007 biennium budget for the division. The budget adopted by the legislature increases general fund support for the division by about \$2 million when compared to the doubled 2004 base budget.

Figure 19				
Child Support Enforcement Division				
Summary of CSED Budget				
Summary of CSED State Special Revenue Fund				
Description	Base Budget* FY 2004	Estimated* FY 2005	Appropriated FY 2006	Appropriated FY 2007
<u>Summary of CSED Budget</u>				
Revenue Sources to Support Expenditures:				
CSE State Special Revenue Funds	\$2,056,466	\$1,964,846	\$1,977,468	\$2,101,858
Diversion of Tobacco Settlement Proceeds*	750,000	513,678	0	0
General Fund - Biennial*			1,263,678	0
General Fund Supplemental Appropriation	0	857,058	0	0
General Fund Support - CSED	271,275	271,275	666,138	656,647
Federal Funds	<u>6,050,945</u>	<u>6,310,657</u>	<u>6,663,682</u>	<u>6,894,392</u>
Total Budget	<u>\$9,128,686</u>	<u>\$9,917,514</u>	<u>\$10,570,966</u>	<u>\$9,652,897</u>
<u>CSE State Special Revenue Fund Recap</u>				
Beginning Balance	\$0	\$43,659	\$178,673	(\$153,042)
Revenue - Projected	2,756,411	2,756,411	2,297,274	2,294,007
Expenditures:				
Child Support Enforcement Division	2,056,466	1,964,846	1,977,468	2,101,858
Indirect Costs	372,891	372,891	372,891	372,891
SEARCHS (system) Costs	<u>283,395</u>	<u>283,660</u>	<u>278,630</u>	<u>278,656</u>
Subtotal Expenditures	<u>2,712,752</u>	<u>2,621,397</u>	<u>2,628,989</u>	<u>2,753,405</u>
Revenue Over (Under) Expenditures	<u>43,659</u>	<u>135,014</u>	<u>(331,715)</u>	<u>(459,398)</u>
Ending Balance	<u>\$43,659</u>	<u>\$178,673</u>	<u>(\$153,042)</u>	<u>(\$612,440)</u>
*Notes:				
Based upon DPHHS January, 2005 budget status report				
Funds from the diversion of tobacco settlement proceeds were not included in the FY 2004 base budget.				
Replaces tobacco settlement proceeds include in 2005 biennium budget.				

The top half of Figure 19 summarizes the division budget for FY 2004 through 2007 and includes the supplemental appropriation for FY 2005 that was approved by the legislature in HB 745. The division budget appears to have a temporary increase in FY 2006. However, this is related to the inclusion of the entire amount of a biennial appropriation in this year rather than allocating the appropriation between years since the actual split between years is unknown at this time.

The lower half of Figure 19 summarizes the revenue and expenditures for the child support enforcement state special revenue account. While the account is anticipated to have a small positive balance at the end of FY 2005, negative balances are expected at the end of FY 2006 and 2007. Thus, if revenues are not greater than projected the department will need to decrease expenditures to maintain a positive fund balance. Because the state special revenue is matched with federal funds each \$1 reduction in state special revenue expenditures will result in a decrease in total expenditures of \$3, unless another source of matching funds is available.

Supplemental Appropriation

The legislature approved a supplemental appropriation of \$857,058 for FY 2005. Additional funding was needed by the division to maintain operations at a level that is in compliance with federal Title IV-D regulations. State special revenue from retention of the state share of child support collections and federal incentive funds continue to decline slightly and are related primarily to the TANF cash assistance caseload and more states qualifying for federal incentive funds, which decreases Montana's share of the available pool of funds.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as appropriated by the legislature.

		Program Funding Table Child Support Enforcement					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 271,275	3.2%	\$ 1,929,816	18.3%	\$ 656,647	6.8%
	01100 General Fund	271,275	3.2%	1,929,816	18.3%	656,647	6.8%
02000	Total State Special Funds	2,056,466	24.5%	1,977,468	18.7%	2,101,858	21.8%
	02187 Child Support State Share	2,056,466	24.5%	1,977,468	18.7%	2,101,858	21.8%
03000	Total Federal Special Funds	6,050,945	72.2%	6,663,682	63.0%	6,894,392	71.4%
	03570 93.563 - Child Support lvd 66%	5,978,591	71.4%	6,591,328	62.4%	6,822,038	70.7%
	03605 93.563 - Child Support lvd 90/	72,354	0.9%	72,354	0.7%	72,354	0.7%
Grand Total		\$ 8,378,686	100.0%	\$ 10,570,966	100.0%	\$ 9,652,897	100.0%

The 2007 biennium budget for CSED is funded with a combination of general fund (13 percent), state special revenue (20 percent), and federal funds (67 percent). In general, child support enforcement activities are eligible to be funded 66 percent with federal Title IV-D funds, with the remaining 34 percent funded by a combination of general fund and state special revenues. Some functions, such as paternity testing, are eligible to be funded 90 percent from federal Title IV-D funds.

State special revenues for CSED come primarily from two sources: federal incentive funds, and retention of a portion of the collections made on cases that currently are or have in the past received cash assistance (public assistance/welfare) payments.

The legislature increased general fund support for the division by about \$2 million for the biennium. The general fund support replaces state special revenues that are declining and funding provided in the 2005 biennium through the diversion of tobacco settlement proceeds.

Biennial Comparison

Funding for the division increased \$3 million or 17 percent between the 2005 and 2007 biennia (Figure 20). However, this comparison does not include 2005 biennium expenditures that were removed from the base budget or the FY 2005 supplemental appropriation approved by the legislature. If these two items are included in the 2005 biennium the increase between biennia is \$1.4 million or about 7 percent.

General fund support for the division increases from about \$0.5 million to \$2.6 million between the two biennia as a result of decreases in state special revenue funds.

Figure 20 Child Support Enforcement Division Biennial Budget Comparison				
Description	2005 Biennium	2007 Biennium	Change	Percent
FTE	176.3	168.25	(8.0)	
Personal Services	\$ 14,380,187	\$ 15,570,999	\$ 1,190,812	8.3%
Operating Costs	2,801,563	4,604,064	1,802,501	64.3%
Equipment & Intangibles	24,400	48,800	24,400	100.0%
Debt Service	14,264	-	(14,264)	-100.0%
Total	\$ 17,220,414	\$ 20,223,863	\$ 3,003,449	17.4%
General Fund	\$ 542,473	\$ 2,586,463	\$ 2,043,990	376.8%
State Special Rev.	4,731,538	4,079,326	(652,212)	-13.8%
Federal Funds	11,946,403	13,558,074	1,611,671	13.5%
Total	\$ 17,220,414	\$ 20,223,863	\$ 3,003,449	17.4%

Operating costs increase \$1.8 million (64 percent) and personal services increase \$1.2 million (8 percent). The increase in these items is largely due to the inclusion of costs in the 2007 biennium budget that were not included in the 2005 biennium budget as shown in the table.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					961,468					951,448
Vacancy Savings					(307,941)					(307,531)
Inflation/Deflation					(1,085)					(1,081)
Fixed Costs					54,059					54,059
Total Statewide Present Law Adjustments					\$706,501					\$696,895
DP 9999 - Statewide FTE Reduction										
	0.00	(1,482)	0	0	(1,482)	0.00	(6,706)	0	0	(6,706)
Total Other Present Law Adjustments										
	0.00	(\$1,482)	\$0	\$0	(\$1,482)	0.00	(\$6,706)	\$0	\$0	(\$6,706)
Grand Total All Present Law Adjustments					\$705,019					\$690,189

DP 9999 - Statewide FTE Reduction - This decision package reduces general fund support for personal services by \$8,188, but does not reduce FTE authorized by the Office of Budget and Program Planning, for the biennium to reflect the across-the-board personal services funding reduction that was adopted by the legislature for the 2005 biennium.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 191 - Child Support Maintenance Funding										
05	0.00	396,345	(396,345)	0	0	0.00	392,078	(392,078)	0	0
DP 3006 - Child Support Enforcement - Biennial										
05	0.00	1,263,678	0	0	1,263,678	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
05	0.00	0	76,539	147,044	223,583	0.00	0	199,929	384,093	584,022
Total	0.00	\$1,660,023	(\$319,806)	\$147,044	\$1,487,261	0.00	\$392,078	(\$192,149)	\$384,093	\$584,022

DP 191 - Child Support Maintenance Funding - The legislature provided \$788,423 general fund for the biennium to support ongoing operations of the division. State special revenue support for the division has decreased due to a mandated change in the method of calculating federal incentive funds and because income from the retention of a portion of collections related to cash assistance cases has also decreased as caseloads decline. The division must meet federal Title IV-D operating requirements to be eligible for federal funding. Additionally, this is also a requirement in order for the state to be eligible for the federal Temporary Assistance for Needy Families (TANF) block grant.

DP 3006 - Child Support Enforcement - Biennial - The legislature provided \$1,263,378 general fund for the biennium to continue child support enforcement services at the 2005 biennium level. This funding was previously provided through the prevention and stabilization fund established by SB 485 from the 2003 session.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	54.00	0.00	0.00	54.00	0.00	0.00	54.00	54.00
Personal Services	2,188,515	125,426	71,243	2,385,184	123,105	185,417	2,497,037	4,882,221
Operating Expenses	2,765,704	907,435	0	3,673,139	593,934	0	3,359,638	7,032,777
Transfers	0	0	0	0	0	0	0	0
Debt Service	32,631	0	0	32,631	0	0	32,631	65,262
Total Costs	\$4,986,850	\$1,032,861	\$71,243	\$6,090,954	\$717,039	\$185,417	\$5,889,306	\$11,980,260
General Fund	1,913,526	331,896	28,983	2,274,405	193,074	75,013	2,181,613	4,456,018
State/Other Special	281,425	74,787	3,915	360,127	68,369	10,227	360,021	720,148
Federal Special	2,791,899	626,178	38,345	3,456,422	455,596	100,177	3,347,672	6,804,094
Total Funds	\$4,986,850	\$1,032,861	\$71,243	\$6,090,954	\$717,039	\$185,417	\$5,889,306	\$11,980,260

Program Description

Fiscal Services Division (FSD) provides financial and accounting services including: development and implementation of accounting policies and procedures, cash management, preparation and filing of federal financial reports, payroll and accounts payable services, and purchasing of supplies and equipment for the department. These services are provided by 54.00 FTE.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92 and Subpart C92.2.

Program Highlights

Fiscal Services Division Major Budget Highlights	
♦	2007 biennium budget is 15 percent greater than the 2005 biennium
♦	General fund support increases 9 percent when the 2007 and 2005 biennia are compared
♦	The budget increase is primarily due to statewide present law adjustments, the most significant being an increase of \$1.4 million in costs related to the Statewide Budgeting Accounting and Human Resources System (SABHRS)

Program Narrative

The Fiscal Services Division provides a number of services to the programs and employees of the department including accounting, payroll, accounts payable and purchasing services. Additionally, this division is responsible for agency cash management functions for all funding streams, establishing and implementing accounting policies and procedures and preparation and filing of federal financial reports.

The budget for the division increased about \$2 million above the FY 2004 base, which is the net impact of three adjustments made to the division budget. The division budget was increased due to statewide present law adjustments and funding for the pay plan adopted by the legislature and decreased due to a statewide reduction in staffing. The bulk of the budget increase is attributable to an increase of \$1.4 million (51 percent) in fixed costs associated with the Statewide Budgeting Accounting and Human Resources System (SABHRS). SABHRS costs are paid by the Department of Administration and recouped by that department from the agencies utilizing the system.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Fiscal Services Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,913,526	38.4%	\$ 2,274,405	37.3%	\$ 2,181,613	37.0%
	01100 General Fund	1,913,526	38.4%	2,274,405	37.3%	2,181,613	37.0%
02000	Total State Special Funds	281,425	5.6%	360,127	5.9%	360,021	6.1%
	02382 6901-02 Indrct Activity Prog 06	281,425	5.6%	360,127	5.9%	360,021	6.1%
03000	Total Federal Special Funds	2,791,899	56.0%	3,456,422	56.7%	3,347,672	56.8%
	03591 6901-03 Indrct Activity Prog 06	2,791,899	56.0%	3,456,422	56.7%	3,347,672	56.8%
Grand Total		<u>\$ 4,986,850</u>	<u>100.0%</u>	<u>\$ 6,090,954</u>	<u>100.0%</u>	<u>\$ 5,889,306</u>	<u>100.0%</u>

The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan. Approximately 37 percent of the division's budget is supported by the general fund with state special revenue (6 percent) and federal funds (57 percent) providing the remainder.

Biennial Comparison

The 2007 biennium budget is \$1.6 million greater than the 2005 biennium budget with the primary increase occurring in operating costs (\$1.2 million or 20 percent) (Figure 21). Operating costs change due to adjustments made in fixed costs including a significant increase in costs related to SABHRS, the statewide accounting system. Personal service costs increase about \$0.5 million due to statewide present law adjustments and funding provided by the legislature to support an increase in the pay plan for state employees.

Figure 21 Fiscal Services Division Biennial Budget Comparison				
	2005 Biennium	2007 Biennium	Change	Percent
FTE	50.0	54.0	4.0	
Personal Services	\$ 4,421,486	\$ 4,882,221	\$ 460,735	10.4%
Operating Costs	5,880,816	7,032,777	1,151,961	19.6%
Debt Service	77,216	65,262	(11,954)	-15.5%
Total	<u>\$ 10,379,518</u>	<u>\$ 11,980,260</u>	<u>\$ 1,600,742</u>	<u>15.4%</u>
General Fund	\$ 4,074,967	\$ 4,456,018	\$ 381,051	9.4%
State Special Rev.	602,118	720,148	118,030	19.6%
Federal Funds	5,702,433	6,804,094	1,101,661	19.3%
Total	<u>\$ 10,379,518</u>	<u>\$ 11,980,260</u>	<u>\$ 1,600,742</u>	<u>15.4%</u>

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					243,189					240,917
Vacancy Savings					(97,262)					(97,174)
Inflation/Deflation					(54,672)					(54,671)
Fixed Costs					962,107					648,605
Total Statewide Present Law Adjustments					\$1,053,362					\$737,677
DP 9999 - Statewide FTE Reduction										
	0.00	(20,501)	0	0	(20,501)	0.00	(20,638)	0	0	(20,638)
Total Other Present Law Adjustments										
	0.00	(\$20,501)	\$0	\$0	(\$20,501)	0.00	(\$20,638)	\$0	\$0	(\$20,638)
Grand Total All Present Law Adjustments					\$1,032,861					\$717,039

DP 9999 - Statewide FTE Reduction - This decision package reduces general fund support for personal services by \$41,139 for the biennium, but does not reduce FTE authorized by the Office of Budget and Program Planning, to reflect the across-the-board personal services funding reduction that was made by the legislature for the 2005 biennium.

New Proposals

New Proposals										
Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
06	0.00	28,983	3,915	38,345	71,243	0.00	75,013	10,227	100,177	185,417
Total	0.00	\$28,983	\$3,915	\$38,345	\$71,243	0.00	\$75,013	\$10,227	\$100,177	\$185,417

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	157.03	0.00	14.00	171.03	0.00	14.00	171.03	171.03
Personal Services	6,747,304	713,572	829,222	8,290,098	707,437	1,208,841	8,663,582	16,953,680
Operating Expenses	20,269,621	5,118,084	6,002,715	31,390,420	5,118,351	5,755,661	31,143,633	62,534,053
Equipment	132,349	0	0	132,349	0	0	132,349	264,698
Capital Outlay	0	0	0	0	0	0	0	0
Grants	6,664,753	632,000	1,160,000	8,456,753	632,000	0	7,296,753	15,753,506
Benefits & Claims	9,112,972	0	0	9,112,972	0	0	9,112,972	18,225,944
Transfers	0	0	0	0	0	0	0	0
Debt Service	37,587	0	0	37,587	0	0	37,587	75,174
Total Costs	\$42,964,586	\$6,463,656	\$7,991,937	\$57,420,179	\$6,457,788	\$6,964,502	\$56,386,876	\$113,807,055
General Fund	1,852,039	74,855	798,962	2,725,856	71,407	(486,782)	1,436,664	4,162,520
State/Other Special	5,320,797	516,372	5,427,154	11,264,323	518,572	5,431,111	11,270,480	22,534,803
Federal Special	35,791,750	5,872,429	1,765,821	43,430,000	5,867,809	2,020,173	43,679,732	87,109,732
Total Funds	\$42,964,586	\$6,463,656	\$7,991,937	\$57,420,179	\$6,457,788	\$6,964,502	\$56,386,876	\$113,807,055

Program Description

The purpose of the Public Health and Safety Division (PHSD) is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, emergency preparedness, and other public health services to individuals and communities. Services are delivered through a broad range of private and public providers, including public health departments, clinics, and hospitals. PHSD administers public health programs including, but not limited to:

- Clinical and environmental laboratory services
- Women's, Infants and Children's Special Nutrition Program (WIC)
- Maternal and child public health services
- Immunization programs
- Sexually transmitted diseases/HIV prevention
- Food and consumer safety
- Emergency medical services
- Family planning
- Chronic and communicable disease prevention
- Public health emergency preparedness

Public health services are administered at both the state and local levels and services are delivered through contract arrangements with local public health and other health service agencies. PHSD contracts with over 700 providers for the delivery of health care services.

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules governing public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Maternal and Child Health Title 50, Chapter 1 and Chapter 19, MCA, and Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC P. L. 95-627, Child Nutrition Act of 1966, and 7 CFR part 246.

Program Highlights

Public Health and Safety Division (PHSD)**Major Budget Highlights**

- ◆ Increases in federal funding add \$16 million of the \$28 million growth in the 2007 biennium budget compared to FY 2004 base budget expenditures
 - Most of the growth is in categorical grants that have expenditure guidelines and restrictions on the use of grant funds
 - The legislature approved federal funding for 9.00 new FTE for a number of different functions, with language in HB 2 that funding for 3.00 of the FTE may not be included in the 2009 biennium base budget calculations if federal grant funds decline
- ◆ State special revenue increases total about \$12 million of the total funding increase over the FY 2004 base budget
 - The legislature appropriated the full amount of tobacco settlement proceeds (32 percent) to fund tobacco prevention and control as approved through passage of I-146 by voters in 2002, adding nearly \$9 million over the biennium
 - The legislature restricted \$720,000 of tobacco prevention and control funds for tribal programs that meet the same requirements as other contractors
 - The legislature funded 4.00 new FTE for tobacco prevention and control
 - Passage of SB 275 increased fees charged for each person insured for disability and health insurance, decreasing general fund by \$1 million and increasing state special revenue by \$2 million for genetics counseling and testing
 - Other small changes for increased health laboratory testing fees, license fees for retail and wholesale food establishments, and license fees for body piercing and tattoo specialists (SB 137) added the balance of state special revenue and funding for 1.00 new FTE
- ◆ The legislature approved the executive request to appropriate general fund and continue funding for:
 - The Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program - \$1.1 million over the biennium
 - Poison control and AIDS treatment and prevention- \$0.2 million over the biennium
- ◆ The legislature expressed concern that certain costs were recorded as operating costs and directed that DPHHS work with the Department of Administration to clarify and standardize within DPHHS and across state agencies recording costs that
 - Directly benefit individuals and indirectly benefit the public
 - Are contracted, granted, or provided to non state entities to perform certain services
 - Are not part of the daily operating costs for DPHHS, such as personnel, utilities, rent, and computer costs necessary to support state employees in the performance of their duties

Program Narrative

The Public Health and Safety Division (PHSD) budget grows about \$28 million total funds over the biennium compared to the base budget expenditures. Most of the growth is in federal funds (\$14 million) and state special revenue (\$12 million). General fund rises a net of about \$0.5 million because of increases for MIAMI, AIDS, poison control, tribal tobacco prevention and control peer counseling, and pay plan totaling about \$1.5 million over the biennium, with an offsetting \$1 million fund switch. The genetics counseling and testing function was moved from general fund to state special revenue due to the passage of SB 375 to increase the per person fee charged to insurance companies and group insurance for each person covered by a disability or health policy.

The legislature accepted the executive budget request in most instances, including appropriation of state special revenue and federal funds to support 14.00 new FTE. Three of the new positions were approved contingent on funding being available and with the caveat that continuation of the funding for these FTE could not be requested in the 2009 biennium base budget if federal funds declined.

The major appropriation changes compared to base budget expenditures that were adopted by the legislature include:

- Tobacco prevention and control activities - \$8.4 million tobacco settlement state special revenue and \$0.6 million federal grant funds
- Bioterrorism and emergency preparedness activities - \$5 million federal grant funds
- WIC program - \$1.4 million federal grant funds
- Cardiovascular health activities - \$1.2 million federal grant funds
- MIAMI - \$1.1 million general fund
- Public health laboratory activities - \$0.6 million state special revenue fee income and \$0.7 million federal grant funds
- Food and lodging license activities, primarily pass through funding to local governments - \$0.6 million state special revenue license fee income
- Genetics program – net state funding increase of \$0.5 million

The most significant legislative initiatives are:

- Addition of \$1.7 million in state special revenue and an offsetting reduction of \$1.1 million general fund over the biennium for a creation of a state special revenue account to receive an increase from 70 cents to \$1 in the fee charged for each person insured under an employer, group health, or single payer health or disability insurance policy, contingent on passage and approval of SB 275
- Addition of \$60,000 general fund for a tribal peer counseling program
- Restriction for inclusion of FTE slots in personal services base funding calculations for several federal grants if the funds decline or are not received
- Addition of language in HB 2 directing the department to work with the Department of Administration, legislative staff, and the Office of Budget and Program Planning to update and clarify accounting guidance on use of specific categories of expenditure with the goal of recording expenditures that support non state, local entities that provide direct, discreet benefits to individuals or indirect public benefits in either the grant or benefit category of expenditure, rather than operating costs
- Inclusion of language in the narrative accompanying HB 2 requesting the department to coordinate a state government wide approach to tobacco control and prevention

Function Budget

Figure 22 shows the PHSD budget by major function, grants, and benefits. There are five functions or sub programs supported by the PHSD appropriation. The amounts listed for grants in Figure 22 won't tie to the amounts shown in the main table because:

- One-time appropriations for the MIAMI program were removed from the base budget, but are included for comparative purposes
- The FY 2006 biennial appropriation for MIAMI is allocated equally between FY 2006 and FY 2007

Figure 22

Fiscal 2004 Base Budget Compared to 2007 Biennium Legislative Appropriation
Public Health and Safety

Major Function Grants and Benefits	FY 2004 Base Budget			FY 2006 Legislative Appropriation			FY 2007 Legislative Appropriation			% of Total			
	General Fd	SSR	Federal	Total	General Fd	SSR	Federal	Total					
Major Function													
Division Administration	\$142,692	\$102,766	\$912,318	\$1,157,776	\$187,223	\$199,362	\$1,162,398	\$1,548,983	\$223,517	\$289,239	\$1,417,461	\$1,930,217	3%
Chronic Disease Prev/Hlth Prom	507,781	2,514,645	4,453,532	7,475,958	658,643	6,889,920	7,213,483	14,762,046	520,034	6,804,480	7,212,473	14,536,987	26%
Family & Community Health	576,695	4,095	17,691,787	18,272,577	1,139,368	836,889	18,536,088	20,512,345	39,574	836,889	18,536,235	19,412,698	34%
Communicable Disease Prev.	419,332	699,212	4,211,082	5,329,626	547,758	1,010,979	4,972,432	6,531,169	463,271	1,012,986	4,970,623	6,446,880	11%
Laboratories	185,370	2,000,079	68,371	2,253,820	172,695	2,373,053	270,156	2,815,904	170,099	2,372,638	270,275	2,813,012	5%
Pub Health Sys Improvement/ Emergency Preparedness	20,169	0	8,454,660	8,474,829	20,169	0	11,229,563	11,249,732	20,169	0	11,226,913	11,247,082	20%
Total Division Budget	\$1,852,039	\$5,320,797	\$35,791,750	\$42,964,586	\$2,725,856	\$11,310,203	\$43,384,120	\$57,420,179	\$1,436,664	\$11,316,232	\$43,633,980	\$56,386,876	100%
Percent of Total	4%	12%	83%	100%	5%	20%	76%	100%	3%	20%	77%	100%	
Grants													
Women, Infants and Children	\$0	\$0	\$3,338,555	\$3,338,555	\$0	\$0	\$3,970,555	\$3,970,555	\$0	\$0	\$3,970,555	\$3,970,555	50%
Family Planning	0	0	1,431,803	1,431,803	0	0	1,431,803	1,431,803	0	0	1,431,803	1,431,803	18%
Maternal/Child Health Gmt	0	0	1,108,480	1,108,480	0	0	1,108,482	1,108,482	0	0	1,108,482	1,108,482	14%
MIAMI* and **	550,000	0	0	550,000	550,000	0	0	550,000	550,000	0	0	550,000	7%
Food/Consumer Safety	0	588,785	0	588,785	0	588,785	0	588,785	0	588,785	0	588,785	7%
Emergency Preparedness	0	0	148,049	148,049	0	0	148,047	148,047	0	0	148,047	148,047	2%
AIDS Prevention/Treatment**	0	0	48,811	48,811	0	0	48,811	48,811	0	0	48,811	48,811	1%
Tribal Peer Counseling*	0	0	0	0	30,000	0	0	30,000	30,000	0	0	30,000	0%
Breast/Cervical Cancer Screen	0	0	61	61	0	0	61	61	0	0	61	61	0%
Health Systems Admin.	0	0	209	209	0	0	209	209	0	0	209	209	0%
Subtotal Grants	\$550,000	\$588,785	\$6,075,968	\$7,214,753	\$580,000	\$588,785	\$6,707,968	\$7,876,753	\$580,000	\$588,785	\$6,707,968	\$7,876,753	100%
Percent of Total Grants	8%	8%	84%	100%	7%	7%	85%	100%	7%	7%	85%	100%	
% of Total Division Budget	30%	11%	17%	17%	21%	5%	15%	14%	40%	5%	15%	14%	
Benefits													
Women, Infants and Children	\$0	\$0	\$9,423,803	\$9,423,803	\$0	\$0	\$9,112,972	\$9,112,972	\$0	\$0	\$9,112,972	\$9,112,972	100%
% of Total Division Budget	0%	0%	26%	22%	0%	0%	21%	16%	0%	0%	21%	16%	
*These appropriations are biennial and roll into the totals for FY 2006 in main program tables, but shown as two annual expenditures in this table. The total grants appropriation in this table is different than the main program table due to these changes.													
**Base year expenditures for these functions were removed because the appropriations were one time only. The table includes the appropriations for comparative purposes.													

Division administration manages the division and includes the budget function as well as the Libby Asbestos Screening program. The pay plan for the division is allocated to this function, but it will be spread to other functions. Division administration comprises 3 percent of the total.

Chronic disease prevention and health promotion receives slightly more than one-quarter of the FY 2007 appropriation and includes functions to prevent such diseases as cardiovascular disease, diabetes, breast and cervical cancer, and cancer in general. It also administers the emergency medical services (EMS), obesity prevention, tobacco prevention and control, and tumor registry functions. Most of the funding for this function comes from state special revenue and federal categorical grants that specify the uses and purposes of grant funds. General fund supports the EMS functions and a portion of tumor registry costs. The appropriation nearly doubles from base level expenditures due to increases in:

- Allocation of the full 32 percent of tobacco settlement funds to tobacco prevention and control
- Several federal grants

Family and community health receives over one third of the division appropriation. This function includes contracts with counties for maternal and child health, the Women, Infants, and Children (WIC) feeding program, MIAMI, family planning, fetal alcohol syndrome monitoring and prevention, the statewide voluntary genetics program, children's oral health, and development of an early childhood comprehensive system of care. The annual 2007 biennium appropriations increase \$1 to \$2 million over base budget expenditures, but general fund support for the function declines due to funding the genetics program from state special revenue instead of general fund (SB 375). Increases in WIC and the genetics program are the main drivers for 2007 biennium appropriation increases.

Communicable disease prevention receives 11 percent of the division appropriation. It administers programs to prevent the spread of AIDS, tuberculosis, West Nile, and sexually transmitted diseases, and provides funds and vaccines to local governments to provide immunizations. General fund supports administrative costs and state match for the federal AIDS grant. Federal categorical grants support all other functions. The annual 2007 biennium appropriation grows about \$1 million over base expenditures, largely due to federal grant increases for West Nile, AIDS, and immunizations.

The laboratory function supports the two public health and environmental laboratories and receives 5 percent of the division appropriation. The labs are supported primarily by state special revenue fee income. The general fund pays a portion of costs for public health tests for which there is no payor. Increases are due to increased testing and receipt of a federal grant to upgrade the environmental laboratory to fund 1.00 new FTE and operating costs.

The last function listed in Figure 22 is public health system improvement and emergency preparedness. The function receives 20 percent of division funding and is supported almost entirely by federal categorical grants for emergency preparedness and bioterrorism. The 2007 biennium annual appropriation is about \$3 million greater than the base budget due to carry over of unspent grant funds.

Biennial Comparison

Figure 23 shows the 2007 biennium appropriation for PHSD compared to the 2005 biennium. The 2007 biennium appropriation is 23 percent higher than the 2007 biennium. General fund increases about \$0.4 million or about 11 percent. While federal appropriations also rise 13 percent, the increase is \$10 million between biennia.

Figure 23 2005 Biennium Compared to 2007 Biennium Public Health and Safety Division					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Change
FTE	157.03	171.03		14.00	9%
Personal Services	\$14,540,557	\$16,953,680	15%	\$2,413,123	17%
Operating	40,432,725	62,534,053	55%	22,101,328	55%
Equipment	1,659,221	264,698	0%	(1,394,523)	-84%
Grants	17,656,793	15,753,506	14%	(1,903,287)	-11%
Benefits/Claims	18,530,561	18,225,944	16%	(304,617)	-2%
Debt Service	55,468	75,174	0%	19,706	36%
Total Costs	<u>\$92,875,325</u>	<u>\$113,807,055</u>	100%	<u>\$20,931,730</u>	<u>23%</u>
General Fund	\$3,759,373	\$4,162,520	4%	\$403,147	11%
State Special	11,844,426	22,534,803	20%	10,690,377	90%
Federal Funds	<u>77,271,526</u>	<u>87,109,732</u>	<u>77%</u>	<u>9,838,206</u>	<u>13%</u>
Total Funds	<u>\$92,875,325</u>	<u>\$113,807,055</u>	<u>100%</u>	<u>\$20,931,730</u>	<u>23%</u>

State special revenue increases a net of \$11 million, despite expansion of funds for tobacco prevention and control (about \$4.2 million per year) and addition of state special revenue to support the statewide genetics contract (about \$0.9 million a year). Figure 23 includes one-time appropriations in the 2005 biennium that were made from tobacco settlement and control to support MIAMI and other functions, while the one-time appropriations have been removed from FY 2004 base budget expenditures.

Operating costs show the largest growth, rising \$22 million. Most of the growth is due to increases in federal categorical grants.

Grant appropriations show a reduction between biennia, largely because the division reallocated appropriations made by the legislature from the grant category of expenditure to operating costs. The purpose of the appropriation did not change, but the way the expenditure was recorded in the state accounting system did. The legislature did not redirect the appropriations for base expenditures from operating to grants, but did consider a legislative staff issue related to this accounting classification.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Public Health & Safety Div.					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 1,852,039	4.3%	\$ 2,725,856	4.7%	\$ 1,436,664	2.5%
	01100 General Fund	1,852,039	4.3%	2,725,856	4.7%	1,436,664	2.5%
02000	Total State Special Funds	5,320,797	12.4%	11,264,323	19.6%	11,270,480	20.0%
	02199 Dhes Food & Consumer	10,931	0.0%	28,306	0.0%	28,306	0.1%
	02366 Public Health Laboratory	2,000,079	4.7%	2,368,257	4.1%	2,433,871	4.3%
	02379 02 Indirect Activity Prog 07	102,766	0.2%	146,198	0.3%	150,740	0.3%
	02462 Food/Lodging License	688,281	1.6%	986,749	1.7%	995,289	1.8%
	02544 6901-Welch'S Cost Relief Gran	4,095	0.0%	4,095	0.0%	4,095	0.0%
	02765 Fees On Insurance Policies - Sb 275	-	-	832,794	1.5%	832,794	1.5%
	02790 6901-Statewide Tobacco Sttlmnt	2,514,645	5.9%	6,897,924	12.0%	6,825,385	12.1%
03000	Total Federal Special Funds	35,791,750	83.3%	43,430,000	75.6%	43,679,732	77.5%
	03004 Ems Data Injury	145,249	0.3%	92,113	0.2%	93,305	0.2%
	03020 Ph Workforce Development	48,541	0.1%	48,541	0.1%	48,541	0.1%
	03023 Pregnancy Risk Assessment	38,122	0.1%	38,489	0.1%	39,081	0.1%
	03026 Family Planning Title X	1,872,039	4.4%	1,873,175	3.3%	1,887,251	3.3%
	03027 Wic (Women,Infants & Children)	13,371,912	31.1%	14,016,253	24.4%	14,040,943	24.9%
	03030 Health Prevention & Services	678,513	1.6%	919,626	1.6%	930,635	1.7%
	03031 Maternal & Child Health	1,577,445	3.7%	1,710,200	3.0%	1,731,394	3.1%
	03057 Newborn Hearing Screening	76,268	0.2%	77,004	0.1%	78,182	0.1%
	03074 Obesity Prevention	201,351	0.5%	514,388	0.9%	518,477	0.9%
	03159 Tuberculosis Grant	210,456	0.5%	307,286	0.5%	309,519	0.5%
	03239 Chronic Disease Fed Cat#13-283	10,749	0.0%	10,749	0.0%	10,749	0.0%
	03258 Diabetes Control	604,272	1.4%	738,754	1.3%	750,166	1.3%
	03273 Primary Care Services	98,019	0.2%	97,533	0.2%	101,260	0.2%
	03274 Ryan White Act, Title Ii	768,911	1.8%	943,321	1.6%	948,830	1.7%
	03336 Food Inspection Program	27,829	0.1%	27,829	0.0%	27,829	0.0%
	03357 Healthy Child	44,517	0.1%	44,517	0.1%	44,517	0.1%
	03362 Data Integration	36,709	0.1%	36,709	0.1%	36,709	0.1%
	03368 Trauma System Development	49,197	0.1%	49,197	0.1%	49,197	0.1%
	03370 Epi & Lab Surveillance E. Coli	319,534	0.7%	655,751	1.1%	656,858	1.2%
	03383 Search Grant	169,136	0.4%	171,004	0.3%	173,782	0.3%
	03429 Birth Defects Surveillance	160,674	0.4%	165,488	0.3%	167,801	0.3%
	03448 6901-Early Childhood Comp Sys	-	-	100,000	0.2%	100,000	0.2%
	03451 69010-Cdp For Brfs	197,281	0.5%	242,718	0.4%	245,552	0.4%
	03461 6901- Childrens Oral Hlth Care	25,669	0.1%	25,669	0.0%	25,669	0.0%

Program Funding Table (continued)						
Public Health & Safety Div.						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
03596 03 Indirect Activity Prog 07	393,319	0.9%	447,124	0.8%	463,057	0.8%
03607 Cardiovascular Grant	-	-	37,188	0.1%	37,090	0.1%
03681 6901-Mt Fd Safe Adv Cnc193.103	945	0.0%	945	0.0%	945	0.0%
03683 6901-Biomonitoring	68,371	0.2%	272,032	0.5%	275,146	0.5%
03686 6901-Adult Lead	1,716	0.0%	26,716	0.0%	26,716	0.0%
03689 6901-Bioter Hosp Preparedness	1,104,043	2.6%	2,370,271	4.1%	2,370,015	4.2%
03690 6901-Rape Prev & Educ 93.126	116,547	0.3%	177,119	0.3%	177,235	0.3%
03697 6901-Cardiovascular Hlth Prgm	365,037	0.8%	1,025,071	1.8%	1,032,528	1.8%
03698 6901-Ems Prev Fire Related Inj	49,630	0.1%	194,630	0.3%	194,630	0.3%
03706 6901-Environmentl Hlth Trackng	467,841	1.1%	474,189	0.8%	482,941	0.9%
03708 6901-Libby Asbestos Screening	518,999	1.2%	571,049	1.0%	578,820	1.0%
03709 6901-Rural Access Emerg Device	-	-	275,000	0.5%	275,000	0.5%
03711 6901-Breast & Cervical Cancer	1,805,533	4.2%	2,154,656	3.8%	2,165,364	3.8%
03712 6901-Cancer Registries 93.283	184,663	0.4%	222,786	0.4%	230,198	0.4%
03713 6901-Wic Farmer Market 10.572	33,462	0.1%	33,462	0.1%	33,462	0.1%
03788 Montana Disability And Health Progr	-	-	450,000	0.8%	450,000	0.8%
03789 Hrsa Ems Rural Health Grant	-	-	4,209	0.0%	4,283	0.0%
03794 Samsha Grant	-	-	2,642	0.0%	6,901	0.0%
03822 Tobacco Control	831,780	1.9%	1,148,348	2.0%	1,147,796	2.0%
03929 Seroprevalence/Surveillance	59,380	0.1%	59,380	0.1%	59,380	0.1%
03936 Vaccination Program	929,724	2.2%	990,920	1.7%	1,006,007	1.8%
03937 Std Program	278,347	0.6%	328,326	0.6%	333,095	0.6%
03938 Aids Fed. Cat. #13.118	1,349,014	3.1%	1,370,103	2.4%	1,379,662	2.4%
03959 Bioterrorism	6,221,919	14.5%	7,458,433	13.0%	7,504,127	13.3%
03979 Comprehensive Cancer Control	-	-	150,000	0.3%	150,000	0.3%
03998 Fetal Alcohol Syndrome	279,087	0.6%	279,087	0.5%	279,087	0.5%
Grand Total	\$ 42,964,586	100.0%	\$ 57,420,179	100.0%	\$ 56,386,876	100.0%

The Public Health and Safety Division (PHSD) is funded by a combination of general fund, state special revenue and federal funds. General fund supports about 4 percent of the base budget and about 4 percent each year of the 2007 biennium if biennial appropriations are split evenly between FY 2006 and FY 2007. Federal funds decline from 83 to 77 percent of division funding from the FY 2004 base compared to the 2007 biennium appropriation. State special revenue shows the greatest change rising from 12 percent of the base budget to 20 percent of the 2007 biennium appropriation, largely due to the addition of tobacco settlement revenue to fund tobacco prevention and control.

General fund supports a share of the state match requirement for the Maternal and Child Health (MCH) block grant, some public health laboratory, tumor registry, communicable disease, tobacco control and prevention, and division administration functions. The legislature approved the executive request to add \$1.3 million to support the MIAMI (Montana Initiative for the Abatement of Mortality in Infants) program, poison control hot line, and AIDS treatment and prevention activities. These three activities had been funded through a one-time diversion of tobacco settlement funds for the 2005 biennium (SB 485 passed by the 2003 Legislature). The legislature also added \$60,000 general fund and restricted the appropriation use to tribal peer counseling for tobacco cessation.

Major state special revenue sources include:

- Tobacco settlement funds that support tobacco prevention and control activities
- Payments for public and environmental laboratory services
- Fees paid to license restaurants and lodging facilities
- Fees paid by insurance companies and group insurers for each resident covered by health insurance or disability insurance (SB 275)

There are 50 federal funding sources that support PSMD functions, including 2 block grants and more than 30 federal categorical grants that have explicit programmatic and expenditure requirements. Usually, the purpose of the grant can be deduced from its name.

The single largest federal grant funds the WIC (Women, Infant and Children) feeding program, which accounts for 31 percent (\$13 million) of FY 2004 base budget funding, rises to \$14 million in FY 2007. Federal funds supporting activities designed to help respond to or prevent bioterrorism events are the next most significant federal source, accounting for 14 percent of budgeted funds and rising from \$6 to \$7 million in FY 2007. Other federal funding sources that provide in excess of 3 percent of PHSD funding, listed in descending order, are:

1. Family planning, Title X funds (2.5 percent or \$2.4 million) support reproductive health services for low-income persons;
2. Breast and cervical cancer funding (1.8 percent or \$2.1 million) supports cancer screenings for persons with incomes below 200 percent of the federal poverty level and no health insurance (see DPHHS overview for poverty level table); and
3. AIDS funding (1.3 percent or \$1.4 million) supports services to prevent AIDS, as well as assist persons in obtaining treatment

Two federal block grants account for about 4 percent of the PHSD 2007 biennium appropriation - the Maternal Child Health (MCH) Block Grant (\$1.7 million annually) and Preventive Health Block Grant \$0.9 million annually). These block grants support a variety of PHSD functions and both are allocated in consultation with division advisory councils. Usually the allocation is different than anticipated in the budget request and, absent specific legislative restrictions, different than the legislative appropriation.

A significant share of the MCH supports contracts with counties (\$1 million annually during the 2007 biennium) to provide the preventive and primary services for children required in federal guidelines. The match for the grant comes from local expenditures reported to PHSD. A portion (30 percent - \$0.9 million annually in the 2007 biennium) of the MCH is budgeted in the Health Resources Division (HRD) to provide services for children with special needs.

Other Issues

Recording Certain Costs in the Operating Category of Expenditure

Legislative staff raised an issue for legislative consideration regarding how certain types of expenditures were recorded in the accounting system. Expenditures for certain activities are recorded in operating costs in this division, while other divisions in DPHHS and other state agencies almost always record similar expenditures in the grants or benefits cost categories.

The legislature expressed concern over the practice for the following reasons:

- Inconsistency in recording similar expenditures within DPHHS and potentially across state government
- Hindering the transparency of the purpose of legislative appropriations and government expenditures
 - Overstating the costs of state government administrative and management costs
 - Understating the amount of state funds expended by non state entities for the direct or indirect benefits of Montanans
- Including unexpended appropriation authority for types of expenditures originally excluded by the legislature as eligible for carry forward in following years (17-7-304(4), MCA)

The legislature accepted the executive recommendation to address this issue. Department of Administration (DofA) accounting policy staff convened a work group with representatives from DPHHS, Department of Transportation, Department of Labor, the Office of Budget and Program Planning, and the Legislative Fiscal and Audit Divisions. While the work group was convened prior to the end of the 2005 session, DofA has not issued guidance on what types of expenditures should be recorded as operating costs versus grant costs.

Legislative Direction to Staff

Tobacco control and prevention was one of the significant policy issues considered during legislative consideration of the PHSD budget. The 2005 Senate Finance and Claims Committee directed that the following language be placed in the narrative accompanying HB 2.

"Public Health and Safety includes tobacco settlement state special revenue funds and federal funds for tobacco prevention and control. The division shall encourage, either through mandates or by cooperation, opportunities to help reduce tobacco use and assist those who wish to curtail or stop their use of tobacco products through the following approaches.

The department is encouraged to identify opportunities to incorporate brief tobacco cessation counseling using the United States public health services 5 a's approach (ask, advise, assess, assist, and arrange) into work done by other department programs, such as the Women, Infants, and Children (WIC) feeding program, Temporary Assistance for Needy Families (TANF) program, Medicaid services programs, Children's Health Insurance Program (CHIP), the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program, the Mental Health Services Plan (MHSP), and aging services. The Montana tobacco use prevention program is encouraged to provide training and educational materials to promote the 5 a's approach.

When appropriate, information mailed to recipients of state-supported programs should routinely include the quit line information. State owned and operated inpatient facilities should allow and encourage patients to access the quit line and nicotine replacement therapy.

When it will not create a perceived burden on providers, Montana medicaid providers should be encouraged to incorporate brief tobacco cessation counseling into office visits and tracking systems. The Montana tobacco use prevention program should provide:

1. Training to providers and ancillary staff regarding the 5a's approach;
2. Chart stamps to document tobacco use and the 5a's approach; and
3. Chart audits to health care providers, beginning with larger providers.

When appropriate the department should request that medicaid provider mailings include the quit line information every 6 months.

If Medicaid-eligible persons participate in the quit line or in another evidence-based cessation counseling program, the department should consider:

1. Eliminating the medicaid copayment for nicotine replacement therapy;
2. Extending the limit for medicaid-funded nicotine replacement therapy coverage;
3. Allowing persons to obtain nicotine replacement therapy directly from the quit line; and
4. Exploring whether quit line services provided to medicaid-eligible persons are an allowable medicaid cost for federal financial participation.

The department should encourage all state departments to incorporate smoking cessation policies, including potentially:

1. Statewide contract language requiring statements that the offeror, or subcontractors, will not accept any work involved in the production, processing, distribution, promotion, sale, or use of tobacco products or tobacco companies during the term of this contract and that the contractor shall provide evidence of a tobacco-free workplace policy;
2. State cigarette and tobacco tax insignia showing the quit line phone number;
3. Correction facilities allowing inmates to access the quit line, including nicotine replacement therapies;
4. State employees' insurance coverage, including coverage for cessation and nicotine replacement therapies;
5. State motor vehicles being smoke free;
6. Travel promotion promoting smoke-free facilities;
7. State employee wellness programs providing peer-support groups for those employees participating in quit line

counseling; and

8. Public schools, colleges, and universities receiving state money adopting comprehensive tobacco free policy and foregoing the use of tobacco industry-produced materials.

The department shall report in writing to members of the 2005 Legislative Joint Appropriations Subcommittee on Health and Human Services by July 1, 2005, and then by July 1, 2006, on progress in implementing these recommendations. The report must include measurements of progress on the recommendations and also the rationale as to why certain recommendations were either not implemented or were not successful.”

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Each of the present law adjustments and new budget proposals is discussed within the budget presentation for each of the major functions in PHSD: division administration, chronic disease prevention and health promotion, family and community health, communicable disease prevention, laboratories, and public health systems improvement and emergency preparedness.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,037,641					1,033,958	
Vacancy Savings				(311,394)					(311,250)	
Inflation/Deflation				(4,671)					(4,485)	
Fixed Costs				23,672					27,751	
Total Statewide Present Law Adjustments				\$745,248					\$745,974	
DP 96 - Increase Funding for Local Board Inspection Funds	0.00	0	159,000	0	159,000	0.00	0	159,000	0	159,000
DP 102 - Additional Authority for Lab Supplies	0.00	0	72,000	0	72,000	0.00	0	72,000	0	72,000
DP 124 - Fully Implement Emergency Preparedness	0.00	0	0	1,026,038	1,026,038	0.00	0	0	1,022,238	1,022,238
DP 128 - Fully Implement Hospital Emergency Preparedness	0.00	0	0	1,166,050	1,166,050	0.00	0	0	1,165,852	1,165,852
DP 129 - Expanded West Nile Activities	0.00	0	0	445,000	445,000	0.00	0	0	445,000	445,000
DP 130 - Increase Funding for Breast & Cervical Cancer	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 131 - Increase Funding for Obesity Prevention Grant	0.00	0	0	274,971	274,971	0.00	0	0	274,971	274,971
DP 133 - Increase Funding for Biomonitoring	0.00	0	0	175,000	175,000	0.00	0	0	175,000	175,000
DP 134 - Increase Funding for Ryan White AIDS Grant	0.00	0	0	168,000	168,000	0.00	0	0	168,000	168,000
DP 136 - Increase Funding for Tuberculosis Grant	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 137 - Increase Funding for Immunization Grant	0.00	0	0	78,000	78,000	0.00	0	0	78,000	78,000
DP 138 - Increase Funding for Rape Prev & Sexual Assault	0.00	0	0	61,000	61,000	0.00	0	0	61,000	61,000
DP 139 - Increase Funding for STD Prevention	0.00	0	0	44,000	44,000	0.00	0	0	44,000	44,000
DP 140 - Increase Funding for Health Trend Monitoring	0.00	0	0	35,000	35,000	0.00	0	0	35,000	35,000
DP 141 - Increase Funding for Diabetes Control Program	0.00	0	0	18,000	18,000	0.00	0	0	18,000	18,000
DP 169 - Montana Cardiovascular Health Program	0.00	0	0	591,000	591,000	0.00	0	0	591,000	591,000
DP 170 - MT Tobacco Use Prevention Quit Line	0.00	0	0	356,024	356,024	0.00	0	0	356,024	356,024
DP 171 - MT Tobacco Use Prevention Base Funding	0.00	0	0	(137,000)	(137,000)	0.00	0	0	(137,000)	(137,000)
DP 176 - Increase Funding - Preventative Health Block Grant	0.00	0	0	167,000	167,000	0.00	0	0	167,000	167,000
DP 185 - Increase Funding for Women, Infants & Children	0.00	0	0	632,000	632,000	0.00	0	0	632,000	632,000
DP 9999 - Statewide FTE Reduction	0.00	(12,675)	0	0	(12,675)	0.00	(15,271)	0	0	(15,271)
Total Other Present Law Adjustments										
	0.00	(\$12,675)	\$231,000	\$5,500,083	\$5,718,408	0.00	(\$15,271)	\$231,000	\$5,496,085	\$5,711,814
Grand Total All Present Law Adjustments					\$6,463,656					\$6,457,788

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 101 - Prior Year Authority-Local Inspection Funds - OTO										
07	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 117 - Clinical Laboratory Specialist										
07	1.00	0	45,880	0	45,880	1.00	0	45,752	0	45,752
DP 155 - Rural Access to Emergency Devices Grant										
07	0.00	0	0	275,000	275,000	0.00	0	0	275,000	275,000
DP 156 - Comprehensive Cancer Control Program										
07	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
DP 158 - Smoke Detector & Fall Prevention Grant										
07	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 159 - Statewide Emergency Preparedness Staff										
07	3.00	0	0	135,818	135,818	3.00	0	0	135,440	135,440
DP 160 - Early Childhood Comprehensive System Grant										
07	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 161 - Libby Asbestos Program Staffing										
07	2.00	0	0	74,997	74,997	2.00	0	0	74,794	74,794
DP 163 - Public Health Planner										
07	1.00	0	0	43,580	43,580	1.00	0	0	43,461	43,461
DP 164 - Communicable Disease Monitoring Staffing										
07	1.00	0	0	40,207	40,207	1.00	0	0	40,098	40,098
DP 165 - Environmental Public Health Tracking Staff										
07	1.00	0	0	37,188	37,188	1.00	0	0	37,090	37,090
DP 166 - Adult Lead Reporting										
07	0.00	0	0	25,000	25,000	0.00	0	0	25,000	25,000
DP 172 - Increase Funding for MT Disability & Health Program										
07	0.00	0	0	450,000	450,000	0.00	0	0	450,000	450,000
DP 187 - Environmental Laboratory Chemist										
07	1.00	0	0	45,880	45,880	1.00	0	0	45,752	45,752
DP 275 - Genetics Program - State Special Revenue - SB 275										
07	0.00	(545,991)	832,794	0	286,803	0.00	(545,928)	832,794	0	286,866
DP 3007 - MIAMI - Biennial										
07	0.00	1,100,000	0	0	1,100,000	0.00	0	0	0	0
DP 3011 - AIDS Prevention - Biennial										
07	0.00	84,000	0	0	84,000	0.00	0	0	0	0
DP 3012 - Poison Control - Biennial										
07	0.00	77,908	0	0	77,908	0.00	0	0	0	0
DP 3111 - Montana Tobacco Use Prevention Program										
07	4.00	0	4,375,275	83,646	4,458,921	4.00	0	4,289,835	83,412	4,373,247
DP 3137 - SB 137 - License/Regulate Body Piercing/Tattooing										
07	0.00	0	17,375	0	17,375	0.00	0	17,375	0	17,375
DP 3601 - Tribal Peer Counseling Program										
07	0.00	60,000	0	0	60,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan - HB 447										
07	0.00	23,045	55,830	159,505	238,380	0.00	59,146	145,355	415,126	619,627
Total	14.00	\$798,962	\$5,427,154	\$1,765,821	\$7,991,937	14.00	(\$486,782)	\$5,431,111	\$2,020,173	\$6,964,502

Language

The legislature approved the following language for inclusion in HB2:

"Federally Funded FTE includes \$244,624 in federal special revenue over the biennium to support 3.00 FTE and operating costs for public health planning and tracking. Inclusion of expenditures, including personal services costs, for item federally funded FTE in the fiscal year 2006 base budget is contingent on renewal and continuation of federal grant funds to support those functions."

Public Health and Safety Division Administration Budget

The following table summarizes the legislative budget proposal for this function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	11.00	0.00	2.00	13.00	0.00	2.00	13.00	13.00
Personal Services	576,831	82,211	313,377	972,419	82,397	694,421	1,353,649	2,326,068
Operating Expenses	573,814	(4,381)	0	569,433	(4,377)	0	569,437	1,138,870
Equipment	7,131	0	0	7,131	0	0	7,131	14,262
Total Costs	\$1,157,776	\$77,830	\$313,377	\$1,548,983	\$78,020	\$694,421	\$1,930,217	\$3,479,200
General Fund	142,692	21,486	23,045	187,223	21,679	59,146	223,517	410,740
State/Other Special	102,766	40,766	55,830	199,362	41,118	145,355	289,239	488,601
Federal Special	912,318	15,578	234,502	1,162,398	15,223	489,920	1,417,461	2,579,859
Total Funds	\$1,157,776	\$77,830	\$313,377	\$1,548,983	\$78,020	\$694,421	\$1,930,217	\$3,479,200

Narrative

The biennial legislative appropriation for the division administration function is about \$1.3 million over FY 2004 base budget. The majority of the increase is due to the division pay plan allocation, which adds about \$1 million total funds, and will be distributed among other division functions. The legislature also approved federal funding for 2.00 new FTE for the Libby asbestos-screening project.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				109,671					109,865
Vacancy Savings				(27,460)					(27,468)
Inflation/Deflation				(352)					(348)
Fixed Costs				(4,029)					(4,029)
Total Statewide Present Law Adjustments				\$77,830					\$78,020
Grand Total All Present Law Adjustments				\$77,830					\$78,020

Statewide present law adjustments add about \$78,000 a year to the division administration function. The adjustments are cost allocated among functions managed by PHSD. The statewide present law adjustment for personal services shows a significant increase due to moving 2.00 FTE to the division administration function during the 2005 biennium and due to vacancy savings in the base year budget.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 161 - Libby Asbestos Program Staffing										
01	2.00	0	0	74,997	74,997	2.00	0	0	74,794	74,794
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	23,045	55,830	159,505	238,380	0.00	59,146	145,355	415,126	619,627
Total	2.00	\$23,045	\$55,830	\$234,502	\$313,377	2.00	\$59,146	\$145,355	\$489,920	\$694,421

DP 161 - Libby Asbestos Program Staffing - The legislature added \$74,830 federal revenue each year of the biennium, including funding for 2.00 FTE, one program manager and one administrative assistant, for the asbestos program in Libby, Montana. Both positions are currently filled and this request makes funding for the positions permanent.

The program manager is a registered nurse who supervises the day-to-day activities of the field office and three employees. This individual interacts with patients being screened for asbestos related disease, assists in the pulmonary screening of patients, explains screening results to patients, and assure that they are referred as appropriate for their medical condition.

The administrative assistant helps in the determination of an individual's eligibility to participate in medical screening for asbestos related diseases, and conducts a confidential, in-depth, computer assisted, epidemiologic interview. This individual also assists in educating participants and scheduling other medical screening activities for them.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan.

Chronic Disease Prevention and Health Promotion Legislative Budget

The following table summarizes the legislative budget proposal for this function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	33.27	0.00	4.00	37.27	0.00	4.00	37.27	37.27
Personal Services	1,231,418	254,713	167,292	1,653,423	253,098	166,827	1,651,343	3,304,766
Operating Expenses	6,244,479	1,414,546	5,389,537	13,048,562	1,414,684	5,226,420	12,885,583	25,934,145
Grants	61	0	60,000	60,061	0	0	61	60,122
Total Costs	\$7,475,958	\$1,669,259	\$5,616,829	\$14,762,046	\$1,667,782	\$5,393,247	\$14,536,987	\$29,299,033
General Fund	507,781	12,954	137,908	658,643	12,253	0	520,034	1,178,677
State/Other Special	2,514,645	0	4,375,275	6,889,920	0	4,289,835	6,804,480	13,694,400
Federal Special	4,453,532	1,656,305	1,103,646	7,213,483	1,655,529	1,103,412	7,212,473	14,425,956
Total Funds	\$7,475,958	\$1,669,259	\$5,616,829	\$14,762,046	\$1,667,782	\$5,393,247	\$14,536,987	\$29,299,033

Narrative

The legislative appropriation for the chronic disease prevention and health promotion function increases about \$7 million per year over base budget expenditures, with the increase split between state special revenue and federal grant funding. General fund increases about \$0.7 million over the biennium to fund a poison control hotline, pay plan, and a tribal tobacco prevention and control peer-counseling program added by legislative initiative.

State special revenue increases are largely attributable to appropriation of the full 32 percent of tobacco settlement funds allocated to tobacco prevention and control as established by voter initiative in 2002 (I-146).

Federal funds increase nearly \$3 million per year with the vast majority of increases in categorical grants for diabetes control, obesity prevention, cardiovascular health, breast and cervical cancer screening, smoke detector installation, fall prevention, and smoking cessation activities. Pay plan funding also contributes to federal funding growth.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				316,633					314,951
Vacancy Savings				(61,920)					(61,853)
Inflation/Deflation				(1,658)					(1,594)
Fixed Costs				13,209					13,283
Total Statewide Present Law Adjustments				\$266,264					\$264,787
DP 130 - Increase Funding for Breast & Cervical Cancer	0.00	0	0	300,000	0.00	0	0	0	300,000
DP 131 - Increase Funding for Obesity Prevention Grant	0.00	0	0	274,971	0.00	0	0	0	274,971
DP 141 - Increase Funding for Diabetes Control Program	0.00	0	0	18,000	0.00	0	0	0	18,000
DP 169 - Montana Cardiovascular Health Program	0.00	0	0	591,000	0.00	0	0	0	591,000
DP 170 - MT Tobacco Use Prevention Quit Line	0.00	0	0	356,024	0.00	0	0	0	356,024
DP 171 - MT Tobacco Use Prevention Base Funding	0.00	0	0	(137,000)	0.00	0	0	0	(137,000)
Total Other Present Law Adjustments	0.00	\$0	\$0	\$1,402,995	0.00	\$0	\$0	\$1,402,995	\$1,402,995
Grand Total All Present Law Adjustments				\$1,669,259					\$1,667,782

DP 130 - Increase Funding for Breast & Cervical Cancer - The legislature approved \$0.3 million in federal funds each year of the biennium for the Montana Breast and Cervical Health Program. Base expenditures for this program were \$1.8 million.

The 2007 biennium budget supports performance based contracts and provider reimbursement for breast and cervical cancer screening for 3,000 women. The additional \$300,000 will fund local screening of at least 600 additional women each year, and will reimburse medical service providers for additional clinical screening services, including provider recruitment activities.

Breast and cervical cancer screenings are provided to persons under the age of 65, with incomes under 200 percent of the federal poverty level, and with no health insurance. Persons diagnosed with breast or cervical cancer through this screen can receive treatment through the state Medicaid program.

DP 131 - Increase Funding for Obesity Prevention Grant - The legislature added an additional \$274,971 in federal grant funds each year of the biennium for obesity prevention activities, more than doubling adjusted base budget expenditures of about \$237,000. The additional funds would be used to fund interventions within Montana communities, work sites, and schools to promote healthy nutrition and regular physical activity. Currently, PHSD funds three community pilot projects to implement community and school-based interventions. The additional funds will be used to expand services to more Montana communities and schools during the biennium. The legislature requested that DPHHS provide specific progress reports prior to the next session on outcomes related to this grant.

DP 141 - Increase Funding for Diabetes Control Program - The legislature added \$18,000 in federal funds each year of the biennium for the Diabetes Control Program. Adjusted base budget expenditures were \$712,000. The Diabetes Control Program collaborates with primary care providers and diabetes educators across the state to improve diabetes care, and to increase access to quality diabetes education. The additional funds will be used to support the existing primary care practices in the quality improvement network and to work with new primary care practices over the biennium.

DP 169 - Montana Cardiovascular Health Program - The legislature approved \$591,000 each year of the biennium for federal spending authority for the Montana Cardiovascular Health Program. Adjusted present law base year expenditures were \$429,000. Increased funding would enhance program efforts statewide targeting improved care for

Montanans with heart disease, stroke, hypertension, and high cholesterol.

DP 170 - MT Tobacco Use Prevention Quit Line - The legislature added \$356,024 federal authority each year of the biennium to fund increased access to the tobacco use cessation toll free quit line, doubling FY 2004 base budget expenditures. In the first six months of operation, the quit line provided services to over 1,700 Montanans. The increased funding would allow an additional 2,000 Montanans per year to access the quit line.

DP 171 - MT Tobacco Use Prevention Base Funding - The legislature accepted the executive request to reduce federal authority by \$137,000 each year of the biennium for the Montana Tobacco Use Prevention Program. DPHHS received notice that the federal funds were being reduced. Base budget federal funding was \$831,780. Reductions will be more than offset due to approval of DP 1011 Montana Tobacco Use Prevention Program, which increases funding by about \$4.5 million per year.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 155 - Rural Access to Emergency Devices Grant										
03	0.00	0	0	275,000	275,000	0.00	0	0	275,000	275,000
DP 156 - Comprehensive Cancer Control Program										
03	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
DP 158 - Smoke Detector & Fall Prevention Grant										
03	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 172 - Increase Funding for MT Disability & Health Prog										
03	0.00	0	0	450,000	450,000	0.00	0	0	450,000	450,000
DP 3012 - Poison Control - Biennial										
03	0.00	77,908	0	0	77,908	0.00	0	0	0	0
DP 3111 - Montana Tobacco Use Prevention Program										
03	4.00	0	4,375,275	83,646	4,458,921	4.00	0	4,289,835	83,412	4,373,247
DP 3601 - Tribal Peer Counseling Program										
03	0.00	60,000	0	0	60,000	0.00	0	0	0	0
Total	4.00	\$137,908	\$4,375,275	\$1,103,646	\$5,616,829	4.00	\$0	\$4,289,835	\$1,103,412	\$5,393,247

DP 155 - Rural Access to Emergency Devices Grant - The legislature approved an additional \$275,000 federal revenue each year of the biennium for the Health Resources and Services Administration Automatic External Defibrillator grant. This funding continues a three-year grant for rural access to emergency devices, designed to achieve improved outcomes from cardiac arrests by providing education and automated external defibrillators to emergency medical services personnel in rural areas of Montana. This grant will continue through July of 2006.

DP 156 - Comprehensive Cancer Control Program - The legislature appropriated an additional \$150,000 federal authority each year of the biennium for the Comprehensive Cancer Control (CCC) Program. The funds would support activities and the process to complete a written Montana CCC Plan. This effort will be coordinated through DPHHS and will be used to support a statewide stakeholder group and small workgroups. The ultimate goal of this effort is to increase cancer awareness and preventive screening among Montanans.

DP 158 - Smoke Detector & Fall Prevention Grant - The legislature added \$145,000 federal funding each year of the biennium for a federal smoke detector and fall prevention grant. This funding would continue the second year of a three-year funding cycle. Funds would be spent in collaboration with several fire departments around the state to target residential occupancies for long-life smoke alarm installation and home fire and injury prevention education.

DP 172 - Increase Funding for MT Disability & Health Prog - The legislature added \$450,000 federal funds each year of the biennium, to coordinate and provide services to prevent secondary conditions and improve the health of Montanans with disabilities. Secondary conditions are health conditions that are acquired after the onset of a primary disability. Examples of common secondary conditions in adults with developmental disabilities include weight problems, dental problems, and bladder dysfunction. This grant is expected to continue for five years.

DP 3012 - Poison Control - Biennial - The legislature approved the executive request to add \$77,908 in general fund over the biennium to continue poison control services at the level of the 2005 biennium. During the 2005 biennium, these services were funded through a one time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485).

DP 3111 - Montana Tobacco Use Prevention Program - The legislature added \$9 million in tobacco settlement state special revenue and \$167,000 in federal funds over the biennium for the Montana Tobacco Use Prevention Program. This funding will fund the program at the percentage designated 17-6-606, MCA (enacted by citizen Initiative 146). This decision package also makes permanent 2.00 modified FTE funded with federal tobacco prevention funds and funds 2.00 new FTE.

DP 3601 - Tribal Peer Counseling Program - The legislature added \$60,000 general fund over the biennium for a pilot program for tribal peer counseling as part of the state effort in tobacco prevention and control. The legislature requested that the department provide interim reports so that the legislature could monitor implementation and outcomes due to this legislative initiative.

Family & Community Health Legislative Budget

The following table summarizes the legislative budget proposal for this function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.25	0.00	0.00	29.25	0.00	0.00	29.25	29.25
Personal Services	1,279,659	128,239	0	1,407,898	128,507	0	1,408,166	2,816,064
Operating Expenses	2,001,106	(7,274)	386,803	2,380,635	(7,252)	386,866	2,380,720	4,761,355
Grants	5,878,840	632,000	1,100,000	7,610,840	632,000	0	6,510,840	14,121,680
Benefits & Claims	9,112,972	0	0	9,112,972	0	0	9,112,972	18,225,944
Total Costs	\$18,272,577	\$752,965	\$1,486,803	\$20,512,345	\$753,255	\$386,866	\$19,412,698	\$39,925,043
General Fund	576,695	8,664	554,009	1,139,368	8,807	(545,928)	39,574	1,178,942
State/Other Special	4,095	0	832,794	836,889	0	832,794	836,889	1,673,778
Federal Special	17,691,787	744,301	100,000	18,536,088	744,448	100,000	18,536,235	37,072,323
Total Funds	\$18,272,577	\$752,965	\$1,486,803	\$20,512,345	\$753,255	\$386,866	\$19,412,698	\$39,925,043

Narrative

The legislative appropriation for the family and community health function increases about \$3 million over the 2007 biennium compared to base budget expenditures. Federal and state special revenue funds each support about \$1.6 million of the increase.

General fund increases are negligible due to offsetting changes in the appropriation. The legislature funded MIAMI (Montana Initiative for the Abatement of Mortality in Infants) from the general fund authorizing \$1.1 million over the biennium. During the 2005 biennium, MIAMI was funded from a one-time diversion of tobacco settlement proceeds. The legislature offset the only other significant general fund base expenditure (about \$0.6 million annually for a voluntary genetics program) with increased fee income generated by the per person tax on insurance companies and group health insurance plans for every Montanan covered by disability and health insurance (SB 275). The legislature also appropriated an additional \$0.3 million of fee income to expand the program. SB 275 is effective for the 2007 biennium only. In the 2009 biennium, without statutory changes the program will revert to an expenditure level of about \$0.6 million per year.

The most significant changes in federal funds support increases in the WIC program (\$0.6 million per year), and a federal grant to continue work on the early childhood systems of care project (\$0.6 million per year).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					186,899					187,181
Vacancy Savings					(58,660)					(58,674)
Inflation/Deflation					(604)					(582)
Fixed Costs					(6,670)					(6,670)
Total Statewide Present Law Adjustments					\$120,965					\$121,255
DP 185 - Increase Funding for Women, Infants & Children	0.00	0	0	632,000	632,000	0.00	0	0	632,000	632,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$632,000	\$632,000	0.00	\$0	\$0	\$632,000	\$632,000
Grand Total All Present Law Adjustments					\$752,965					\$753,255

DP 185 - Increase Funding for Women, Infants & Children - The legislature added \$0.6 million each year of the biennium for federal funding for the WIC grant. The WIC grant is projected to be \$14 million for each year of the biennium. Base year funding was \$13 million.

The legislature expressed concerns that the amount of WIC grant funds passed through to local programs was declining. DPHHS staff testified that it will make changes in how the local programs are audited, shifting the work to program staff rather than department cost allocated staff. That change will reduce administrative costs by about \$40,000, which will be passed through to local county health departments.

New Proposals

New Proposals										
-----Fiscal 2006-----					-----Fiscal 2007-----					
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 160 - Early Childhood Comprehensive System Grant										
04	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 275 - Genetics Program - State Special Revenue - SB 275										
04	0.00	(545,991)	832,794	0	286,803	0.00	(545,928)	832,794	0	286,866
DP 3007 - MIAMI - Biennial										
04	0.00	1,100,000	0	0	1,100,000	0.00	0	0	0	0
Total	0.00	\$554,009	\$832,794	\$100,000	\$1,486,803	0.00	(\$545,928)	\$832,794	\$100,000	\$386,866

DP 160 - Early Childhood Comprehensive System Grant - The legislature appropriated \$100,000 federal funds each year of the biennium for the Early Childhood Comprehensive System Grant. This grant supports states in collaborative early childhood system development, with the ultimate goal of supporting families and children who are healthy and ready to learn at school entry. This grant will allow the department to design a plan for an Early Childhood Comprehensive System in Montana.

Federal agencies determined that multiple funding mechanisms aimed at specific populations (Head Start), services (mental health services and physical health screenings), and programs were not being linked at state or local levels, creating lack of cohesiveness, and potentially ineffective strategies for supporting young children and families. There are five specific areas of focus that states are to target in their plan development:

- Medical homes
- Mental health and social emotional development
- Early care and education
- Parent education
- Family support

DP 275 - Genetics Program - State Special Revenue - SB 275 - The legislature added \$1.7 million in state special

revenue and decreased general fund by \$1 million over the biennium contingent on passage and approval of SB 275, which increases the fee charged for each Montana resident insured by an individual or group disability or health policy from 70 cents to \$1 through the end of the 2007 biennium. The statewide genetics program (50-19-211, MCA) provides testing, counseling, and education to parents and prospective parents

DP 3007 - MIAMI - Biennial - The legislature approved a general fund biennial appropriation of \$1.1 million to continue the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program at the level of the 2005 biennium. During the 2005 biennium, these services were funded through a one-time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485).

Communicable Disease Control & Prevention Legislative Budget

The following table summarizes the legislative budget proposal for this function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.82	0.00	0.00	29.82	0.00	0.00	29.82	29.82
Personal Services	1,425,453	(89,205)	0	1,336,248	(89,539)	0	1,335,914	2,672,162
Operating Expenses	3,266,577	1,064,373	226,375	4,557,325	1,064,418	142,375	4,473,370	9,030,695
Grants	637,596	0	0	637,596	0	0	637,596	1,275,192
Total Costs	\$5,329,626	\$975,168	\$226,375	\$6,531,169	\$974,879	\$142,375	\$6,446,880	\$12,978,049
General Fund	419,332	44,426	84,000	547,758	43,939	0	463,271	1,011,029
State/Other Special	699,212	194,392	117,375	1,010,979	196,399	117,375	1,012,986	2,023,965
Federal Special	4,211,082	736,350	25,000	4,972,432	734,541	25,000	4,970,623	9,943,055
Total Funds	\$5,329,626	\$975,168	\$226,375	\$6,531,169	\$974,879	\$142,375	\$6,446,880	\$12,978,049

Narrative

The communicable disease function is primarily funded with federal categorical grants. The 2007 biennium budget increases about \$1 million annually over base budget expenditures. Federal grant increases for West Nile, immunization, AIDS, and sexually transmitted diseases constitute about 75 percent of the increase. General fund rises to fund statewide present law adjustments and a biennial appropriation of \$84,000 for AIDS treatment and drugs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				(33,528)						(33,879)
Vacancy Savings				(55,677)						(55,660)
Inflation/Deflation				(1,127)						(1,082)
Fixed Costs				10,500						10,500
Total Statewide Present Law Adjustments				(\$79,832)	(\$80,121)					
DP 96 - Increase Funding for Local Board Inspection Funds										
0.00	0	159,000	0	159,000	0.00	0	159,000	0	159,000	
DP 129 - Expanded West Nile Activities										
0.00	0	0	445,000	445,000	0.00	0	0	445,000	445,000	
DP 134 - Increase Funding for Ryan White AIDS Grant										
0.00	0	0	168,000	168,000	0.00	0	0	168,000	168,000	
DP 136 - Increase Funding for Tuberculosis Grant										
0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000	
DP 137 - Increase Funding for Immunization Grant										
0.00	0	0	78,000	78,000	0.00	0	0	78,000	78,000	
DP 138 - Increase Funding for Rape Prev & Sexual Assault										
0.00	0	0	61,000	61,000	0.00	0	0	61,000	61,000	
DP 139 - Increase Funding for STD Prevention										
0.00	0	0	44,000	44,000	0.00	0	0	44,000	44,000	
Total Other Present Law Adjustments										
0.00	\$0	\$159,000	\$896,000	\$1,055,000	0.00	\$0	\$159,000	\$896,000	\$1,055,000	
Grand Total All Present Law Adjustments				\$975,168	\$974,879					

DP 96 - Increase Funding for Local Board Inspection Funds - The legislature added \$159,000 state special revenue each year for increased funding for Food and Consumer Safety Section (FCSS) Local Board Inspection Funds License fee due to the increases in license fees for retail and wholesale food establishments that were raised by the 2003 Legislature. A portion of that increase is implemented in 2005.

Base expenditures for local county board grant funds in FY 2004 were about \$0.6 million. These fees are passed through to local county programs to perform licensing and inspection activities.

DP 129 - Expanded West Nile Activities - The legislature approved \$445,000 federal authority each year of the biennium for increased funding for the Epidemiology and Lab Capacity Cooperative agreement. This grant has increased to fund expanded West Nile activities in Montana. Base budget expenditures were \$319,534.

DP 134 - Increase Funding for Ryan White AIDS Grant - The legislature added \$168,000 of federal Ryan White Title II grant funds each year of the biennium. Base budget expenditures for treatment funding were \$1.5 million of the \$2.2 million in federal grant funds. The increased funding would allow the state to take advantage of expanded treatment funding by matching with state special revenue requested in DP 3011 – AIDS Biennial.

DP 136 - Increase Funding for Tuberculosis Grant - The legislature approved \$100,000 federal authority each year of the biennium for the Tuberculosis Elimination Cooperative Agreement. Base year expenses were \$205,663.

DP 137 - Increase Funding for Immunization Grant - The legislature added \$78,000 federal funds each year of the biennium for increased immunization activities. Cooperative agreements for calendar year 2004 have increased the available funding. Base budget expenditures for direct immunization activities were about \$336,000.

This funding supports DPHHS staff who conduct on-site assessments of public and private vaccine practices, and who provide feedback and technical assistance to assist clinicians in increasing coverage rates.

The funds support continued development of an immunization registry to track vaccine coverage rates across provider and county lines, and the majority of funds would be used to contract with local public health departments to carry out immunization activities including:

- Immunization registry maintenance and recording of immunizations for children served in the public and private sectors
- Assessment of vaccine history for children accessing WIC clinics, children being cared for in out-of-home child care settings, and children entering kindergarten in one school per county per year
- Updating pandemic influenza plans for each county health department, in cooperation with county emergency planners

DP 138 - Increase Funding for Rape Prev & Sexual Assault - The legislature approved an increase of \$61,000 federal funds for an increase in the Rape Prevention and Sexual Assault grant each year of the biennium. Base budget expenditures for direct services were \$131,000. As with base program expenditures about 90 percent of the additional funds would be used to contract with local service providers to enhance prevention, counseling, testing and treatment services.

DP 139 - Increase Funding for STD Prevention - The legislature added \$44,000 federal funding each year of the biennium for the Sexually Transmitted Diseases program. Base budget expenditures for laboratory testing were \$124,000.

New Proposals

New Proposals										
Sub Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Prior Year Authority-Local Inspection Funds - OTO										
05	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 166 - Adult Lead Reporting										
05	0.00	0	0	25,000	25,000	0.00	0	0	25,000	25,000
DP 3011 - AIDS Prevention - Biennial										
05	0.00	84,000	0	0	84,000	0.00	0	0	0	0
DP 3137 - SB 137 - License/Regulate Body Piercing/Tatooing										
05	0.00	0	17,375	0	17,375	0.00	0	17,375	0	17,375
Total	0.00	\$84,000	\$117,375	\$25,000	\$226,375	0.00	\$0	\$117,375	\$25,000	\$142,375

DP 101 - Prior Year Authority-Local Inspection Funds - OTO - The legislature approved \$100,000 state special revenue each year of the biennium to pass funds through to local contractors. These funds, a portion of the food and consumer safety license fee, were collected in prior years and were withheld when performance standards were not met. The appropriation would allow PHSD to distribute these funds for activities related to improving performance in this area.

The funds represent the fees collected and not distributed, and once used this reserve will be eliminated. PHSD has requested that this appropriation be designated as one-time-only to keep it from being in the base budget.

DP 166 - Adult Lead Reporting - The legislature added \$25,000 federal funds each year of the biennium for the adult lead reporting program. Currently, PHSD contracts with the National Institute of Occupational Health and Safety to report adult lead levels and is reimbursed \$25,000 annually for this activity. While funding is still dependant on federal budgeting, the amount requested appears to be available through the next biennium.

DP 3011 - AIDS Prevention - Biennial - The legislature added \$84,000 general fund over the biennium for AIDS prevention and control. This general fund provides part of the state match for federal grant funds. Base level expenditures for the AIDS program were \$2.2 million in federal funds and about \$48,000 in state special revenue from the Prevention and Stabilization Account (PSA) approved by the 2003 Legislature for the 2005 biennium only. Previous to the 2005 biennium, the legislature approved \$48,000 general fund each year for AIDS funding from the general fund.

DP 3137 - SB 137 - License/Regulate Body Piercing/Tattooing - The legislature added \$34,750 state special revenue over the biennium to implement SB 137 to license and inspect body piercing and tattooing. The state special revenue comes from two sources: 1) licensure fees of \$125 for a single service establishment and \$175 for a multi-purpose establishment; and 2) registration fees for \$50 per persons for educational seminars. The fee income will support licensure and inspection of facilities.

Laboratories Legislative Budget

The following table summarizes the legislative appropriation for the laboratory function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.00	0.00	2.00	31.00	0.00	2.00	31.00	31.00
Personal Services	1,123,286	212,701	91,760	1,427,747	210,063	91,504	1,424,853	2,852,600
Operating Expenses	1,070,667	257,623	0	1,328,290	257,625	0	1,328,292	2,656,582
Equipment	22,280	0	0	22,280	0	0	22,280	44,560
Debt Service	37,587	0	0	37,587	0	0	37,587	75,174
Total Costs	\$2,253,820	\$470,324	\$91,760	\$2,815,904	\$467,688	\$91,504	\$2,813,012	\$5,628,916
General Fund	185,370	(12,675)	0	172,695	(15,271)	0	170,099	342,794
State/Other Special	2,000,079	281,214	45,880	2,327,173	281,055	45,752	2,326,886	4,654,059
Federal Special	68,371	201,785	45,880	316,036	201,904	45,752	316,027	632,063
Total Funds	\$2,253,820	\$470,324	\$91,760	\$2,815,904	\$467,688	\$91,504	\$2,813,012	\$5,628,916

Narrative

The laboratory function includes two public laboratories – the public health laboratory and the environmental laboratory. Both laboratories have received significant upgrades funded by federal bioterrorism grants. These laboratories are the only ones in Montana that will perform some tests, including tests to detect the presence of some highly infectious diseases.

The legislature accepted the executive budget request for the laboratory function without change, increasing funding by about \$1 million over the 2007 biennium. The legislature funded 2.00 new FTE – one from federal grant funds and one from laboratory fees. Other appropriation increases approved the legislature include state special revenue fee income for laboratory supplies and a federal biomonitoring grant increase.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				281,570						281,528
Vacancy Savings				(56,194)						(56,194)
Inflation/Deflation										(37)
Fixed Costs				10,662						10,662
Total Statewide Present Law Adjustments				\$235,999						\$235,959
DP 102 - Additional Authority for Lab Supplies										
0.00	0	72,000	0	72,000	0.00	0	72,000	0	72,000	
DP 133 - Increase Funding for Biomonitoring										
0.00	0	0	175,000	175,000	0.00	0	0	175,000	175,000	
DP 9999 - Statewide FTE Reduction										
0.00	(12,675)	0	0	(12,675)	0.00	(15,271)	0	0	(15,271)	
Total Other Present Law Adjustments										
0.00	(\$12,675)	\$72,000	\$175,000	\$234,325	0.00	(\$15,271)	\$72,000	\$175,000	\$231,729	
Grand Total All Present Law Adjustments				\$470,324						\$467,688

DP 102 - Additional Authority for Lab Supplies - The legislature added \$72,000 each year of the biennium for state special spending authority due to anticipated testing workload increases in the public health and environmental laboratories. Testing fees are the source of state special revenue and will be used to purchase additional supplies. The increase is about 10 percent. The base budget expenditures for supplies were \$0.7 million.

DP 133 - Increase Funding for Biomonitoring - The legislature approved an increase of \$175,000 federal authority each year of the biennium for biomonitoring. The grant funds are used to investigate human exposure to chemical contaminants in the environment. Montana is a member of a consortium comprised of six mountain states including Arizona, New Mexico, Utah, Colorado and Wyoming, who have common interests in investigating for environmental contaminants that affect the human population.

The biomonitoring grant funds will be used to test and measure specific chemical constituents in human serum/urine with the intent of identifying environmental chemical contaminants deemed harmful to humans. No human testing related to this grant is currently being performed in Montana. Previous grant funds have been used for start-up purposes (primarily personnel and plan development with a consortium). The additional grant funds would be used to offset the cost of testing and may involve the purchase of laboratory equipment.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive proposal for an FTE funding reduction equivalent to those taken in the 2003 legislative session. The reduction adds additional vacancy savings equivalent to 0.29 FTE and removes \$28,000 general fund for the biennium.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 117 - Clinical Laboratory Specialist 07	1.00	0	45,880	0	45,880	1.00	0	45,752	0	45,752
DP 187 - Environmental Laboratory Chemist 07	1.00	0	0	45,880	45,880	1.00	0	0	45,752	45,752
Total	2.00	\$0	\$45,880	\$45,880	\$91,760	2.00	\$0	\$45,752	\$45,752	\$91,504

DP 117 - Clinical Laboratory Specialist - The legislature approved the executive request for \$91,632 state special revenue over the biennium for a clinical laboratory specialist to work in the Public Health Laboratory. Workloads have increased 21.6 percent over the last five years while staffing has remained constant. The position would be supported by fee income.

DP 187 - Environmental Laboratory Chemist - The legislature added \$91,632 federal funds over the biennium for a chemist to work in the Environmental Laboratory. This chemist would validate, implement, and perform the new laboratory tests for chemical terrorism. These tests have been developed by Centers for Disease Control and Prevention but have not yet been available in Montana.

Public Health System Improvement & Emergency Preparedness Legislative Budget

The following table summarizes the legislative budget proposal for this function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	24.69	0.00	6.00	30.69	0.00	6.00	30.69	30.69
Personal Services	1,110,657	124,913	256,793	1,492,363	122,911	256,089	1,489,657	2,982,020
Operating Expenses	7,112,978	2,393,197	0	9,506,175	2,393,253	0	9,506,231	19,012,406
Equipment	102,938	0	0	102,938	0	0	102,938	205,876
Grants	148,256	0	0	148,256	0	0	148,256	296,512
Total Costs	\$8,474,829	\$2,518,110	\$256,793	\$11,249,732	\$2,516,164	\$256,089	\$11,247,082	\$22,496,814
General Fund	20,169	0	0	20,169	0	0	20,169	40,338
Federal Special	8,454,660	2,518,110	256,793	11,229,563	2,516,164	256,089	11,226,913	22,456,476
Total Funds	\$8,474,829	\$2,518,110	\$256,793	\$11,249,732	\$2,516,164	\$256,089	\$11,247,082	\$22,496,814

Narrative

The public health system improvement and emergency preparedness function administers federal grants for emergency preparedness, bioterrorism, and health trend monitoring. The legislature accepted the executive budget request without change, adding about \$6 million in federal authority over the biennium, including funding for 6.00 new FTE. The legislature added language to HB 2 specifying that the 2009 biennium base budget could not include funding for 3.00 of the FTE if federal grant funds declined or were withdrawn.

Appropriation increases support ongoing implementation of emergency preparedness for hospitals and local governments (3.00 of the new FTE), enhanced health trend monitoring (1.00 new FTE), public health planning (1.00 new FTE), and communicable disease monitoring (1.00 new FTE).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				176,396					174,312	
Vacancy Savings				(51,483)					(51,401)	
Inflation/Deflation				(891)					(842)	
Fixed Costs				0					4,005	
Total Statewide Present Law Adjustments				\$124,022					\$126,074	
DP 124 - Fully Implement Emergency Preparedness										
0.00	0	0	1,026,038	1,026,038	0.00	0	0	1,022,238	1,022,238	
DP 128 - Fully Implement Hospital Emergency Preparedness										
0.00	0	0	1,166,050	1,166,050	0.00	0	0	1,165,852	1,165,852	
DP 140 - Increase Funding for Health Trend Monitoring										
0.00	0	0	35,000	35,000	0.00	0	0	35,000	35,000	
DP 176 - Increase Funding - Preventative Health Block Grant										
0.00	0	0	167,000	167,000	0.00	0	0	167,000	167,000	
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$2,394,088	\$2,394,088	0.00	\$0	\$0	\$2,390,090	\$2,390,090	
Grand Total All Present Law Adjustments				\$2,518,110					\$2,516,164	

DP 124 - Fully Implement Emergency Preparedness - The legislature approved \$1,026,000 each year of the biennium for federal spending authority for increased funding for public health emergency preparedness. The base budget was about \$6 million.

Funds will be used to continue to address grant-required standards and critical capacities, which are currently under revision by the Centers for Disease Control (CDC) and may include some new requirements. The funding would be used for:

- Continuous testing, improvement and upgrading of local, regional, and state plans, protocols, equipment and response systems. An emphasis continues on integration of public health and hospital emergency response with existing local, regional, state, and federal response systems and assets
- Strengthening state and local-level food and water borne illness investigation, and response capabilities
- Enhancing active and passive surveillance in cooperation with local public health agencies and health care providers to provide early identification of public health threats
- Continuing development of laboratory capacity for adequate response to a chemical terrorism event, including physical plant renovation as well as the purchase of additional equipment necessary to meet CDC expectations. DP 187 also requests a laboratory chemist to assist with implementation of new equipment and testing procedures related to preparedness
- Expanding technological capacity of the state, county, and tribal public health system to better support both routine and emergency operations at the local level (i.e., installing cost-effective connectivity and merging immunization and emergency preparedness software functionality)
- Continuing public health and emergency preparedness training to hone the skills of state and local public health personnel in the areas of advanced incident command systems, use of communication and information technology, conducting and using the results of preparedness drills and exercises, and understanding legal issues in emergency preparedness

DP 128 - Fully Implement Hospital Emergency Preparedness - The legislature approved an additional \$1,166,000 each year of the biennium for federal spending authority for increased funding for public health emergency preparedness, specifically for hospitals. Including this appropriation, the annual amount in the 2007 biennium will be nearly double what was spent for this function in FY 2004.

The hospital emergency preparedness funding is directed toward hospitals, outpatient facilities, and emergency medical services systems to improve facility surge capacity in the following priority areas: beds, personnel, isolation, quarantine, personal protective equipment, decontamination, pharmaceuticals, trauma, mental health, transportation, and communications.

DP 140 - Increase Funding for Health Trend Monitoring - The legislature approved an additional \$35,000 in federal funds each year of the biennium for the Behavioral Risk Factor Surveillance System (BRFSS). The BRFSS is conducted nationwide and has been collecting and reporting health survey data since 1984. It is a key source of information on health trends, risks for disease, access to health care, and health-related practices of Montanans. The information is used to identify important health issues, formulate helpful strategies and policies to improve the health status of Montanans and to evaluate health services and programs. The increased funding will allow the information from the survey to be more widely disseminated and better utilized for health improvements. Base year expenditures were about \$197,000.

DP 176 - Increase Funding - Preventative Health Block Grant - The legislature approved \$167,000 federal funds each year of the biennium for increased appropriations from the Public Health Block grant. The funds are available due to carry over of unexpended grant funds. The state has three years to spend the block grant. Base budget expenditures were about \$678,000.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 159 - Statewide Emergency Preparedness Staff										
10	3.00	0	0	135,818	135,818	3.00	0	0	135,440	135,440
DP 163 - Public Health Planner										
10	1.00	0	0	43,580	43,580	1.00	0	0	43,461	43,461
DP 164 - Communicable Disease Monitoring Staffing										
10	1.00	0	0	40,207	40,207	1.00	0	0	40,098	40,098
DP 165 - Environmental Public Health Tracking Staff										
10	1.00	0	0	37,188	37,188	1.00	0	0	37,090	37,090
Total	6.00	\$0	\$0	\$256,793	\$256,793	6.00	\$0	\$0	\$256,089	\$256,089

DP 159 - Statewide Emergency Preparedness Staff - The legislature added about \$270,000 in federal authority over the biennium, including funds for 3.00 new FTE. The funding supports a food safety laboratory scientist, chemical terrorism laboratory coordinator, and administrative support for public health emergency communications and training. These FTE are already on board in modified level positions.

The chemical terrorism laboratory coordinator is responsible for developing a plan that ensures preparedness for the possibility of a chemical terrorism event. The food safety laboratory scientist is responsible for development and implementation of laboratory methods capable of identifying both biological and chemical contamination of food supply items. The administrative support position supports state and local public health and emergency response personnel, making print and electronic resources available to communicate health information to the media, the public, and special populations, and coordinating training opportunities using traditional and distance learning modalities.

DP 163 - Public Health Planner - The legislature added funding for 1.00 FTE and \$87,041 federal funds over the biennium to make permanent the current modified position of public health planner. This position is responsible for public health planning activities including providing data and support for state and local health assessment and health improvement planning. Work products include county health profiles, reports on the state of the state's health, and a PHSD strategic plan.

The legislature added language to the appropriations act to remove funding for the FTE if federal funds supporting this FTE are discontinued or if the funds are not received. The language also prohibits the Office of Budget and Program Planning from requesting funds to continue the FTE in the 2009 biennium, if the federal funding is not ongoing.

DP 164 - Communicable Disease Monitoring Staffing - The legislature added about \$40,000 federal funds, including funds for 1.00 FTE, each year of the biennium to make permanent the current modified position of health program specialist for communicable disease monitoring. The position is responsible for development and implementation of standards-based electronic lab reporting and messaging, web browser-based data entry and data management, centrally integrated data storage and exchange, and analysis and reporting capability (i.e., Geographic Information System (GIS) capacity). This position is responsible for coordinating and integrating preparedness activities into existing public health infrastructure, assuring coordination with public health system improvement efforts, and coordination with other stakeholders in disaster and emergency related activities (e.g. fire, emergency medical services, law enforcement, medical practitioners, local and tribal governments, other state and federal agencies and local public health).

The legislature added language to the appropriations act to remove funding for the FTE if federal funds supporting this FTE are discontinued or if the funds are not received. The language also prohibits the Office of Budget and Program Planning from requesting funds to continue the FTE in the 2009 biennium, if the federal funding is not ongoing.

DP 165 - Environmental Public Health Tracking Staff - The legislature added about \$37,000 federal funding, including funds for 1.00 FTE, each year of the biennium to make permanent the current modified position of environmental public health tracking program specialist. The duties of this position include addressing environmental health concerns and developing a public health tracking network.

The legislature added language to the appropriations act to remove funding for the FTE if federal funds supporting this FTE are discontinued or if the funds are not received. The language also prohibits the Office of Budget and Program Planning from requesting funds to continue the FTE in the 2009 biennium, if the federal funding is not ongoing.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding. Pay plan funding from HB 447 is also included in the table.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	109.71	0.00	6.25	115.96	0.00	8.25	117.96	117.96
Personal Services	5,028,451	345,100	391,191	5,764,742	344,837	715,954	6,089,242	11,853,984
Operating Expenses	2,202,460	(4,619)	59,075	2,256,916	(4,283)	42,231	2,240,408	4,497,324
Equipment	8,759	0	0	8,759	0	0	8,759	17,518
Grants	291,663	0	0	291,663	0	0	291,663	583,326
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$7,531,333	\$340,481	\$450,266	\$8,322,080	\$340,554	\$758,185	\$8,630,072	\$16,952,152
General Fund	1,910,520	158,728	181,584	2,250,832	158,420	278,190	2,347,130	4,597,962
State/Other Special	255,057	942	17,320	273,319	927	20,285	276,269	549,588
Federal Special	5,365,756	180,811	251,362	5,797,929	181,207	459,710	6,006,673	11,804,602
Total Funds	\$7,531,333	\$340,481	\$450,266	\$8,322,080	\$340,554	\$758,185	\$8,630,072	\$16,952,152

Program Description

The Quality Assurance Division provides services that:

- 1) Protect the safety of clients utilizing Montana's health care, day care, and residential providers through licensure of 2,234 facilities, including 397 facilities that are certified by the division for Medicare and Medicaid participation;
- 2) Detect and investigate abusive or fraudulent practices affecting the Medicaid, TANF, and Food Stamp programs, and initiate recovery efforts;
- 3) Reduce Medicaid costs by identifying other insurers or parties responsible for paying client medical expenses;
- 4) Provide both internal and external independent audits for DPHHS programs;
- 5) Provide independent fair hearings for clients and providers participating in DPHHS programs;
- 6) Monitor and evaluate health maintenance organizations for quality assurance and network adequacy;
- 7) Maintain the Certified Nurse Aide Registry and approve and monitor Nurse Aide Training programs;
- 8) Operate the Certificate of Need (CON) Program; and
- 9) Operate the internal Health Insurance and Privacy Accountability Act (HIPAA) function for DPHHS.

Statutory authority: 42 U.S.C. 1818 and 42 U.S.C. 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5, part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501, MCA; CFR 21, CFR 49, CFR 10; P.L. 102-359 (10-27-92).

Program Highlights

Quality Assurance Division Major Budget Highlights	
♦	Implementation of the federally required Medicaid Payment Error Rate Program (PERM) results in: <ul style="list-style-type: none"> • Annual appropriation increases of about \$600,000, including funding for 8.00 new FTE • Anticipated reductions in Medicaid service costs in other divisions recorded in the Quality Assurance Division budget that will be distributed to other divisions in the 2007 biennium
♦	Implementation of the Medical Marijuana Act adds 0.25 FTE and about

- \$30,000 state special revenue authority over the biennium to maintain the registry of persons authorized to use marijuana for medical reasons

 - ♦ Pay plan adds about \$600,000 over the biennium, including \$170,000 general fund

Program Narrative

The Quality Assurance Division appropriation grows about \$1.9 million over the 2007 biennium compared to FY 2004 base budget expenditures, almost all in the personal services category. The FY 2006 increase is primarily due to annualization of FY 2005 pay plan raises, and in FY 2007 to a new proposal for increased personal services (8.00 new FTE) and operating funding to implement the Medical Payment Error Rate Program (PERM).

PERM is a federally required program that must be implemented by states beginning October 1, 2005. PERM requires states to evaluate a sample of Medicaid and Children’s Health Insurance Program (CHIP) claims with respect to two specific criteria: eligibility for services and the medical necessity for services. The executive anticipates that there will be savings in excess of costs due to the reviews.

The Quality Assurance Division FY 2007 appropriation includes the anticipated benefit cost savings due to PERM, offsetting some of the general fund appropriation increases. The cost savings will accrue in other division budgets, but have been consolidated with the funding to support the PERM in Quality Assurance Division. New proposal DP 190 contains a more detailed discussion of PERM, including how cost savings were calculated.

The LFD commented on the potential impact to the division due to the Medicare Modernization Act passed by Congress in late 2003. The act and its implications for the entire agency are discussed in the agency overview. The Quality Assurance Division could experience increases in grievance and appeal workload due to the act. The legislature added language requiring the department to report to the Legislative Finance Committee so that it can monitor implementation of the act and its impact on state government.

Biennial Comparison

The Quality Assurance Division 2007 biennium appropriation is 10 percent higher in total funds than the 2005 biennium expenditures and appropriation, and includes funding for 8.25 new FTE (Figure 24). General fund increases 11 percent, state special revenue increases 3 percent, and federal funds increase 10 percent. All cost categories except personal services are lower in the 2007 biennium appropriation compared to the 2005 biennium budget. About half of the change is attributable to pay plan increases and about half to PERM. While PERM activities will increase personal services costs, increased accuracy and collection of overpayments is expected to result in benefit savings and therefore reduced general fund costs in Medicaid services programs in the 2007 biennium.

Figure 24 2005 Biennium Compared to 2007 Biennium Quality Assurance Division					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	109.71	117.96		8.25	8%
Personal Services	\$10,169,864	\$11,853,984	70%	\$1,684,120	17%
Operating	4,561,165	4,497,324	27%	-63,841	-1%
Equipment	26,257	17,518	0%	-8,739	0%
Grants	645,763	583,326	3%	-62,437	-10%
Total Costs	\$15,403,049	\$16,952,152	100%	\$1,549,103	10%
General Fund	\$4,142,006	\$4,597,962	27%	\$455,956	11%
State Special	535,548.00	549,588.00	3%	14,040.00	3%
Federal Funds	10,725,495	11,804,602	70%	1,079,107	10%
Total Funds	\$15,403,049	\$16,952,152	100%	\$1,549,103	10%

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as appropriated by the legislature.

		Program Funding Table Quality Assurance Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Funds	\$ 1,910,520	25.4%	\$ 2,250,722	27.0%	\$ 2,344,964	27.2%
	01100 General Fund	1,910,520	25.4%	2,250,722	27.0%	2,344,964	27.2%
02000	Total State Special Funds	255,057	3.4%	273,319	3.3%	276,269	3.2%
	02034 Earmarked Alcohol Funds	52,727	0.7%	53,513	0.6%	55,436	0.6%
	02380 02 Indirect Activity Prog 08	30,575	0.4%	32,583	0.4%	33,610	0.4%
	02474 Lien & Estate Collections	171,755	2.3%	171,755	2.1%	171,755	2.0%
	02566 Medical Marijuana	-	-	15,468	0.2%	15,468	0.2%
03000	Total Federal Special Funds	5,365,756	71.2%	5,797,929	69.7%	6,006,673	69.6%
	03096 Discretionary Child Care	433,226	5.8%	458,256	5.5%	481,373	5.6%
	03251 Child Care Admin	136,319	1.8%	143,331	1.7%	149,635	1.7%
	03303 Title 18 Clia	75,880	1.0%	64,903	0.8%	67,168	0.8%
	03335 Fda Mammography Inspections	33,501	0.4%	33,501	0.4%	33,501	0.4%
	03530 6901-Foster Care 93.658	79,891	1.1%	83,875	1.0%	87,117	1.0%
	03580 6901-93.778 - Med Adm 50%	921,904	12.2%	1,088,420	13.1%	1,132,183	13.1%
	03597 03 Indirect Activity Prog 08	1,300,804	17.3%	1,390,744	16.7%	1,451,075	16.8%
	03934 Title 19	489,105	6.5%	704,762	8.5%	730,841	8.5%
	03935 Title 18	1,244,254	16.5%	1,168,664	14.0%	1,210,500	14.0%
	03948 T-19 Obra Nurse Aid	28,460	0.4%	38,795	0.5%	40,167	0.5%
	03960 Rural Hospital Flexibilty Prog	622,412	8.3%	622,678	7.5%	623,113	7.2%
Grand Total		\$ 7,531,333	100.0%	\$ 8,321,970	100.0%	\$ 8,627,906	100.0%

The Quality Assurance Division is funded primarily from federal funds (71 percent of the base budget funding and 70 percent of the 2007 biennium appropriation). General fund supports about one fourth of division expenditures and state special revenue supports remains constant at about 4 percent.

General fund supports the full cost of radiological equipment testing, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of child care licensure, and a portion of division administration.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, and indirect funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for contracted services to pursue recoveries for the cost of Medicaid funded nursing home services. The contractor is paid approximately 20 percent of collections. Fee reimbursement for the medical marijuana registration is a new source of state special revenue.

The largest source of federal funds is federal Medicaid funds (Title 18 and Med Adm 50%), which support 19 percent of FY 2004 costs rising to 22 percent in FY 2007. Federal reimbursement (indirect cost recovery) for overhead costs that are allocated among federal funding sources depending on staff time spent on each federal program accounts for about 17 percent of total program funding. Medicare (Title 18) funding supports 18 percent of base budget costs, declining slightly to 15 percent each year of the 2007 biennium.

There are nine separate federal funding sources in the Quality Assurance Division. Some federal sources support more than one function. For instance, Medicaid funds support: 1) third party (insurance and private pay) recovery; 2) the surveillance, utilization, and review unit; 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud investigation contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for review of some laboratories in order to qualify for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain critical access hospital status. Childcare funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities. Mammography funds pay for

inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Program Reorganization

The internal HIPAA function for DPHHS was moved to Quality Assurance Division from the Health Resources Division in FY 2004. The reorganization involved the transfer of 1.00 FTE.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					602,440					604,766
Vacancy Savings					(225,232)					(225,325)
Inflation/Deflation					(5,905)					(5,690)
Fixed Costs					1,286					1,407
Total Statewide Present Law Adjustments					\$372,589					\$375,158
DP 9999 - Statewide FTE Reduction										
	0.00	(32,108)	0	0	(32,108)	0.00	(34,604)	0	0	(34,604)
Total Other Present Law Adjustments										
	0.00	(\$32,108)	\$0	\$0	(\$32,108)	0.00	(\$34,604)	\$0	\$0	(\$34,604)
Grand Total All Present Law Adjustments					\$340,481					\$340,554

DP 9999 - Statewide FTE Reduction - The legislature reduced the personal services funding equal to the across-the-board personal services reduction that was made for the 2005 biennium by the 2003 Legislature. General fund was reduced about \$67,000 over the biennium.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 190 - Medicaid Payment Error Rate Measurement/OTO										
08	6.00	134,468	0	134,468	268,936	8.00	155,336	0	155,336	310,672
DP 3210 - Implement Medical Marijuana Act										
08	0.25	0	15,468	0	15,468	0.25	0	15,468	0	15,468
DP 6010 - 2007 Biennium Pay Plan - IIB 447										
08	0.00	47,116	1,852	116,894	165,862	0.00	122,854	4,817	304,374	432,045
Total	6.25	\$181,584	\$17,320	\$251,362	\$450,266	8.25	\$278,190	\$20,285	\$459,710	\$758,185

DP 190 - Medicaid Payment Error Rate Measurement/OTO - The legislature approved the executive request for about \$0.6 million funds over the biennium to implement the new Medicaid Payment Error Rate Program (PERM), including funds for 8.00 FTE to perform retrospective reviews of Medicaid eligibility and medical necessity for services. This program is anticipated to be self-supporting through the savings generated by the reviews.

In 2002, Congress passed the Improper Payments Information Act. Beginning October 1, 2005, Centers for Medicare and Medicaid Services (CMS) will implement PERM, requiring every state to estimate improper payments in Medicaid and the Children's Health Insurance Program (CHIP). Each state must review annually a sample of Medicaid and CHIP payments, focusing on eligibility and medical necessity for services.

The Program Compliance Bureau of the Quality Assurance Division will administer PERM because the bureau manages similar programs that review Medicaid eligibility and provider payments, and recover payment for Medicaid services from private sources including insurance (third party liability).

If during the review a billing error is found and it is determined that charges have been over paid, the overpayment will be collected from the client or the service provider. (PERM does not provide for correction of under payments.) The collections will be returned to the original payor, which will reduce the general fund expenditures in the Medicaid program. If the error is determined to be an eligibility issue resulting from an agency error, no collection will be made. However, if the error is an eligibility issue resulting from a client error, the Quality Assurance Division will try to collect the overpayment.

The legislature accepted the executive estimate of overpayment recoveries. DPHHS projected a recovery rate of 0.15 percent of total Medicaid expenditures. DPHHS estimated cost savings due to PERM of \$0.3 million for FY 2006 and \$1 million for FY 2007, based on total Medicaid expenditures of \$715 million for FY 2006 and \$751 million for FY 2007. FY 2007 savings are significantly higher than FY 2006 savings, because the program will not begin until October 1, 2005 and DPHHS estimated a six-month lag in collections.

The legislature appropriated about \$300,000 general fund and a like amount of federal funds over the biennium to support the program. The legislature also increased general fund revenue estimates by about \$190,000 to account for recovery of overpayments in the Medicaid program. The appropriation was approved as a one-time-only expenditure and restricted so that it could not be used for other purposes.

DP 3210 - Implement Medical Marijuana Act - The legislature added \$31,000 state special revenue over the biennium to fund administration of the Medical Marijuana Act, implemented through voter initiative in November 2004 (I-148). The funds support 0.25 FTE and operating expenses to administer the program. The state special revenue is derived from a \$200 annual registration fee for persons authorized to use marijuana to help treat their medical conditions through the recommendation of a physician. The statute requires that the program be self-supporting and the division establishes the fee based on workload and number of persons requesting services. Legislators expressed concern that the fee be no greater than that required to administer the program and were assured by DPHHS staff that the program and rates would be administered with that goal in mind. Language was added to HB 2 to require the department to report to the Legislative Finance Committee and members of the Health and Human Services Joint Appropriation Subcommittee on implementation of the act and the amount of the fee.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legislation.

"Funds in Quality Assurance Division support the fair hearings processes administered by the department. The department shall report to the members of the 2005 Legislative Joint Appropriations Subcommittee on Health and Human Services by July 1, 2005, and every 6 months thereafter on the status of grievances and appeals with respect to meeting timelines established in applicable federal and state rules and statutes.

Quality Assurance Division includes \$15,468 each year of the biennium for implementation of the Medical Marijuana Act. *The department shall report to the Legislative Finance Committee by September 1, 2005, and every 6 months thereafter regarding implementation of the Act, including review of the fee amount charged to implement the Act.*"

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	83.60	0.00	(6.00)	77.60	0.00	(6.00)	77.60	77.60
Personal Services	4,091,204	64,876	(213,864)	3,942,216	58,891	(27,527)	4,122,568	8,064,784
Operating Expenses	23,459,177	(377,257)	237,897	23,319,817	(346,474)	10,159	23,122,862	46,442,679
Equipment	6,800	0	0	6,800	0	0	6,800	13,600
Debt Service	322,092	0	(4,560)	317,532	0	(4,560)	317,532	635,064
Total Costs	\$27,879,273	(\$312,381)	\$19,473	\$27,586,365	(\$287,583)	(\$21,928)	\$27,569,762	\$55,156,127
General Fund	9,136,214	(101,850)	(105,103)	8,929,261	(93,201)	(49,457)	8,993,556	17,922,817
State/Other Special	1,133,114	(18,110)	107,737	1,222,741	(15,383)	57,865	1,175,596	2,398,337
Federal Special	17,609,945	(192,421)	16,839	17,434,363	(178,999)	(30,336)	17,400,610	34,834,973
Total Funds	\$27,879,273	(\$312,381)	\$19,473	\$27,586,365	(\$287,583)	(\$21,928)	\$27,569,762	\$55,156,127

Program Description

The Operations and Technology Division (OTD) provides operational support services for the agency. Services provided by the division include telecommunications network management and security, computer support, communications services, video-conference center management, computer training, vital records management, and internal support services such as lease management, fleet management, and mailroom services.

Information technology systems developed and maintained by staff within the division include:

- ISERV - Information Services - time recording (electronic time sheets) and travel reimbursement
- PERQS - Purchasing, Entry, Receiving and Query System - purchasing and accounts payable system
- AWACS - Agency wide Accounting and Client System - payment data base
- MICRS - Montana Integrated Cost Recovery System - institutional reimbursement system

OTD also manages contracts for several major computer systems including:

- 1) TEAMS - The Economic Assistance Management System, performing on-line eligibility determination for food stamps, Temporary Assistance for Needy Families (TANF), and Medicaid programs;
- 2) CCUBS - Child Care Under the Big Sky, performing automated eligibility determination, case maintenance, payment, and reporting of day care benefits;
- 3) SEARCHS - The System for Enforcement and Recovery of Child Support, performing automated financial management of child support activities including collections, absent parent location, paternity establishment, and order modifications;
- 4) MMIS - The Montana Medicaid Information System, a medical provider claims processing, payment, and information retrieval system;
- 5) CAPS - The Child & Adult Protective Services System, an automated social services information system covering all major program areas of child and adult protective services and juvenile corrections including case management and payment processing functions;
- 6) The MONTANA ACCESS Program - an electronic benefit transfer (EBT) system that provides on-line distribution of food stamp benefits, TANF cash assistance, and child support collections;
- 7) EBCS - EDRS-The Electronic Birth Certificate and Death Registration systems automating registration, issuance, and maintenance of vital events (birth and death);
- 8) TESS - The Eligibility Screening System, automating eligibility functions with two components, one for the Children's Health Insurance Plan (CHIP) and one for the Mental Health Service Plan (MHSP); and
- 9) The Virtual Human Services Pavilion, an internet application designed and developed to provide citizens with easy access to a wide range of government services and information.

Statutory authority is in Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

Program Highlights

Operations and Technology Division

Major Budget Highlights

- ◆ The 2007 biennium budget is \$0.9 million or less than 2 percent greater than the 2005 biennium budget
- ◆ The 2007 biennium budget is \$0.6 million less than twice the FY 2004 base budget due to:
 - Movement of the budget analysis and management function to the Director's Office
 - Statewide present law adjustments that decrease operating costs
- ◆ The 2007 biennium budget includes \$327,642 total funds (including \$126,000 state special) supporting the implementation of bills related to I-149

Program Narrative

OTD provides a number of services and performs a number of functions for the department. The majority of these services and functions are related to information technology management and telecommunications infrastructure and management. However, the division also provides centralized service functions such as purchasing and mail room services. The 2007 biennium budget reflects the movement of budget management and fiscal analysis functions to the Director's Office as implemented by the department in FY 2005. Additionally, the division manages the statewide vital statistics program, which records and manages information such as birth and death records and preparation of birth and death certificates.

Figure 25

Operations and Technology Division

Summary of Funding by Function

Function	Fiscal 2004 Actual		Fiscal 2006 Appropriated		Fiscal 2007 Appropriated		2007 Biennium		Percent Increase	Percent of Division
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds		
Centralized Services										
Division Administration	\$132,548	\$388,566	\$171,050	\$488,422	\$256,230	\$720,829	\$427,280	\$1,209,251	55.6%	2.2%
Budget and Analysis	194,473	447,408	34,604	79,898	34,501	79,663	69,105	159,561	-82.2%	0.3%
Network and Communications Svcs	486,083	1,344,087	457,699	1,265,601	457,369	1,264,689	915,068	2,530,290	-5.9%	4.6%
Information Systems Bureau	764,249	1,693,482	781,684	1,732,116	781,309	1,731,285	1,562,993	3,463,401	2.3%	6.3%
Internal Support	675,182	2,078,775	618,413	1,903,994	611,612	1,883,051	1,230,025	3,787,045	-8.9%	6.9%
Total Centralized Services	\$2,252,535	\$5,952,318	\$2,063,450	\$5,470,031	\$2,141,021	\$5,679,517	\$4,204,471	\$11,149,548	-6.3%	20.2%
Contracted Computer Systems										
TEAMS	2,784,238	8,606,077	2,790,077	8,859,048	2,776,485	8,632,112	5,566,562	17,491,160	1.6%	31.7%
SEARCHIS	680,141	2,833,930	668,705	2,786,280	668,766	2,786,536	1,337,471	5,572,816	-1.7%	10.1%
CAPS	1,499,993	2,834,954	1,483,561	2,803,898	1,483,687	2,804,136	2,967,248	5,608,034	-1.1%	10.2%
WIC	270,000	270,000	270,000	270,000	270,000	270,000	540,000	540,000	0.0%	1.0%
Medstat	113,750	455,000	113,750	455,000	113,750	455,000	227,500	910,000	0.0%	1.6%
MMIS	1,325,669	6,327,238	1,327,352	6,335,272	1,327,344	6,335,234	2,654,696	12,670,506	0.1%	23.0%
Total Contracted Computer Systems	\$6,673,791	\$21,327,199	\$6,653,445	\$21,509,498	\$6,640,032	\$21,283,018	\$13,293,477	\$42,792,516	0.3%	77.6%
Other										
Vital Statistics	209,888	599,756	212,366	606,836	212,503	607,227	424,869	1,214,063	1.2%	2.2%
Total Operations & Technology Div	\$9,136,214	\$27,879,273	\$8,929,261	\$27,586,365	\$8,993,556	\$27,569,762	\$17,922,817	\$55,156,127	-1.1%	100.0%

Figure 25 summarizes division funding by function. As illustrated in the table, about 20 percent of the division funding supports centralized service and internal computer support functions. These functions include telecommunications and personal computer infrastructure support, internal computer programming, and purchasing and mail room services. The majority of the funding for the division (78 percent) supports large automated systems that are developed and maintained by contractors. These systems provide a wide variety of functionality related to program eligibility determination, claims

processing, data collection, case management support, and payment processing. It is noteworthy that no inflationary increase in these contracts was provided for the 2007 biennium. A small portion of the division funding (2 percent) supports the collection, maintenance, and management of vital statistic databases for the state.

Program Reorganization

The 2007 biennium budget as adopted by the legislature includes funding for the Budget and Program Analysis Unit in the Director's Office and removes this funding from the Operations and Technology Division. This action supports the reorganization implemented by the department in December 2004 but not included in the executive budget.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Operations & Technology					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 9,136,214	32.8%	\$ 8,929,261	32.4%	\$ 8,993,556	32.6%
	01100 General Fund	9,136,214	32.8%	8,929,261	32.4%	8,993,556	32.6%
02000	Total State Special Funds	1,133,114	4.1%	1,222,741	4.4%	1,175,596	4.3%
	02381 02 Indirect Activity Prog 09	743,246	2.7%	716,519	2.6%	727,538	2.6%
	02419 Vital Statistics	389,868	1.4%	405,222	1.5%	423,058	1.5%
	02772 Tobacco Hlth & Medicd Initiative	-	-	101,000	0.4%	25,000	0.1%
03000	Total Federal Special Funds	17,609,945	63.2%	17,434,363	63.2%	17,400,610	63.1%
	03598 03 Indirect Activity Prog 09	17,609,945	63.2%	17,434,363	63.2%	17,400,610	63.1%
Grand Total		\$ 27,879,273	100.0%	\$ 27,586,365	100.0%	\$ 27,569,762	100.0%

The division (other than vital statistics) is funded by general fund (33 percent), state special revenue (4 percent), and federal funds (63 percent) through a complex federally approved cost allocation process. Vital statistics is funded by a combination of general fund and state special revenue from fees charged for items such as birth or death certificates. The 2007 biennium budget for the division includes \$126,000 state special revenue from increased tobacco taxes for implementation of programs supported related to I-149.

Biennial Budget Comparison

The 2007 biennium budget for the division is \$0.9 million, less than 2 percent, greater than the 2005 biennium budget (Figure 26). Increases in personal service costs related to statewide present law adjustments and the pay plan adopted by the legislature are offset by decreases due to movement of the budget management function to the Director's Office, a statewide reduction in FTE, and statewide present law adjustments decreasing some costs.

The majority of the decrease in general fund support for the division is related to the movement of the budget management and analysis function from this division to the Director's Office. More than one-third of the increase in state special revenue is due to tobacco tax increases related to I-149 and increases in federal funds represent the share of costs that are expected to be reimbursed by various federal programs.

Figure 26
2005 Biennium Compared to 2007 Biennium
Operations & Technology Division

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	75.50	77.60		2.10	
Personal Services	\$ 7,887,037	\$ 8,064,784	14.62%	\$ 177,747	2.3%
Operating	45,731,383	46,442,679	84.20%	711,296	1.6%
Equipment	66,951	13,600	0.02%	(53,351)	-79.7%
Debt Service	551,193	635,064	1.15%	83,871	15.2%
Total Costs	\$ 54,236,564	\$ 55,156,127	100.00%	\$ 919,563	1.7%
General Fund	\$ 18,156,652	\$ 17,922,817	32.5%	\$ (233,835)	-1.3%
State Special	2,086,767	2,398,337	4.3%	311,570	14.9%
Federal Funds	33,993,145	34,834,973	63.2%	841,828	2.5%
Total Funds	\$ 54,236,564	\$ 55,156,127	100.0%	\$ 919,563	1.7%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					348,213					345,872
Vacancy Savings					(177,575)					(177,485)
Inflation/Deflation					(291,320)					(290,763)
Fixed Costs					(85,937)					(55,711)
Total Statewide Present Law Adjustments					(\$206,619)					(\$178,087)
DP 9999 - Statewide FTE Reduction	0.00	(36,077)	(9,375)	(60,310)	(105,762)	0.00	(37,351)	(9,706)	(62,439)	(109,496)
Total Other Present Law Adjustments										
	0.00	(\$36,077)	(\$9,375)	(\$60,310)	(\$105,762)	0.00	(\$37,351)	(\$9,706)	(\$62,439)	(\$109,496)
Grand Total All Present Law Adjustments					(\$312,381)					(\$287,583)

DP 9999 - Statewide FTE Reduction - This decision package reduces funding for personal services by \$73,428 general fund and \$215,258 total funds, but does not reduce FTE authorized by the Office of Budget and Program Planning, equivalent to the across-the-board personal services reduction included by the legislature in the 2005 biennium budget.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 702 - Move Budget Management to the Director's Office										
09	(6.00)	(163,546)	(9,399)	(203,022)	(375,967)	(6.00)	(163,387)	(9,390)	(202,825)	(375,602)
DP 719 - Implement Bills Related to I-149										
09	0.00	13,821	101,000	162,821	277,642	0.00	0	25,000	25,000	50,000
DP 6010 - 2007 Biennium Pay Plan - HB 447										
09	0.00	44,622	16,136	57,040	117,798	0.00	113,930	42,255	147,489	303,674
Total	(6.00)	(\$105,103)	\$107,737	\$16,839	\$19,473	(6.00)	(\$49,457)	\$57,865	(\$30,336)	(\$21,928)

DP 702 - Move Budget Management to the Director's Office - This decision package reflects a minor reorganization implemented by the department and moves the department's internal budget management function from the Operations and Technology Division to the Director's Office.

DP 719 - Implement Bills Related to I-149 - This decision package includes funding to support the provisions of HB 552 asset test, HB 667 premium assistance/tax credit, and SB 324 prescription drug coverage.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The Governor has indicated his intent to line-item veto the language illustrated in *italic*, however his authority to do so is questioned and may be challenged through legal action.

"Funding in Operations and Technology Division supports medicaid program usage of a magnetic card to facilitate presentation of eligibility data to providers, provider claims, and payment processing. *The department shall report annually, at fiscal yearend, to the members of the 2005 legislative joint appropriations subcommittee on health and human services and the legislative finance committee on medicaid program usage of magnetic card technology.*

Funding in HCSD -- Implement Provisions of HB 667, OTD -- Implement Provisions of HB 667, and HRD -- Implement Provisions of HB 667 are contingent upon passage and approval of House Bill No. 667. Funding in HCSD -- Implement Provisions of HB 667 includes funding for 1 FTE for eligibility determination. Funding in HRD -- Implement Provisions of HB 667 includes funding for 1 FTE to administer the medicaid 1115 waiver for a premium incentive or premium assistance program associated with House Bill No. 667.

Funding in HCSD -- Implement Change in Medicaid Asset Test for Children, OTD -- Implement Change in Medicaid Asset Test for Children, and Raise Asset Limit for Medicaid Eligibility for Children is contingent upon passage and approval of House Bill No. 552. Funding in HCSD -- Implement Change in Medicaid Asset Test for Children includes funding for 3 FTE."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTF	541.42	0.00	(34.00)	507.42	0.00	(34.00)	507.42	507.42
Personal Services	22,762,646	(616,237)	(679,102)	21,467,307	(634,956)	343,537	22,471,227	43,938,534
Operating Expenses	8,190,987	(43,231)	875,239	9,022,995	142,356	673,592	9,006,935	18,029,930
Equipment	34,633	51,000	0	85,633	36,000	0	70,633	156,266
Benefits & Claims	92,694,789	322,762	7,043,057	100,060,608	658,703	6,511,715	99,865,207	199,925,815
Transfers	0	0	0	0	0	0	0	0
Debt Service	10,688	0	0	10,688	0	0	10,688	21,376
Total Costs	\$123,693,743	(\$285,706)	\$7,239,194	\$130,647,231	\$202,103	\$7,528,844	\$131,424,690	\$262,071,921
General Fund	42,369,565	1,596,506	2,870,350	46,836,421	2,075,865	2,452,901	46,898,331	93,734,752
State/Other Special	1,150,030	139,964	507,712	1,797,706	249,538	993,654	2,393,222	4,190,928
Federal Special	80,174,148	(2,022,176)	3,861,132	82,013,104	(2,123,300)	4,082,289	82,133,137	164,146,241
Total Funds	\$123,693,743	(\$285,706)	\$7,239,194	\$130,647,231	\$202,103	\$7,528,844	\$131,424,690	\$262,071,921

Program Description

Disability Services Division (DSD) assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. DSD is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for one state institution, the Montana Developmental Center (MDC) in Boulder.

Vocational Rehabilitation (VR) serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. In order to be considered a developmental disability, the disability must have originated before age 18 and have resulted in a substantial handicap of indefinite duration.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Program Highlights

Disability Services Division

Major Budget Highlights

- Funding for the division increases about \$12 million or 5 percent when the 2007 and 2005 biennia are compared and general fund increases almost \$8.4 million or 10 percent over the same time period
- The 2007 biennium budget is \$14.7 million or about 6 percent greater than twice the FY 2004 base budget
- Legislative initiatives increased funding for:
 - Direct care wage component of provider rates

- Extended Employment
 - Independent Living
 - Part C Early Intervention services
 - A computer technician to assist blind and visually impaired individuals with adaptive technology
- ♦ The legislature reviewed and considered the implementation of a statewide published rate structure for developmental disabilities services and encouraged the department to phase-in this change over a four year period

Program Narrative

The Disability Services Division (DSD) manages programs that focus on assisting individuals with disabilities in living, working, and participating in their communities. The programs managed by the division are divided into two major groups - vocational rehabilitation related programs and developmental disabilities programs. Figure 27 summarizes funding by program and function for the division. Vocational rehabilitation related programs, including extended employment, independent living, blind and low vision services, and the Montana Telecommunications Access Program (MTAP), comprise 13 percent of the funding for the division. Developmental disabilities services, including community and institutional services, comprise more than 83 percent of the funding for the division. The remainder of the division's funding supports disability determination services, the unit within Montana that determines eligibility for federal Social Security disability benefits.

Figure 27
Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2004 Base Budget			Fiscal 2006 Appropriation			Fiscal 2007 Appropriation			Percent of Total
	General Fund	State Special	Total Funds	General Fund	State Special	Total Funds	General Fund	State Special	Total Funds	
Vocational Rehabilitation										
Voc. Rehab. Benefits	\$762,993	\$0	\$1,583,750	\$804,664	\$0	\$2,973,097	\$805,853	\$0	\$2,977,494	2.9%
Voc. Rehab. Medical Benefits	1,609,831	0	7,461,278	1,677,625	0	6,101,937	1,748,132	0	6,362,445	6.1%
Visual Services Medical Benefits	84,851	0	84,851	84,851	0	0	84,851	0	0	0.1%
Independent Living - Admin.	22,404	0	227,143	22,404	0	169,400	22,404	0	169,198	0.1%
Independent Living - Benefits	3,726	0	70,488	103,726	0	70,488	103,726	0	70,488	0.1%
Sec. 110 Blind Low Vision Administration	132,669	0	490,348	204,870	0	516,799	204,797	0	516,526	0.6%
Sec. 110 Blind Low Vision Benefits	211,967	0	839,370	211,967	0	839,370	211,967	0	839,370	0.8%
In Service Training - Administration	4,653	0	41,879	4,643	0	41,788	4,644	0	41,792	0.0%
Supported Employment	0	0	186,423	0	0	186,423	0	0	186,423	0.1%
Independent Living Part B Benefits	27,124	0	219,862	255,890	0	219,862	255,890	0	219,862	0.4%
Independent Living Part B Administration	6,227	0	56,030	7,227	0	65,043	7,215	0	64,933	0.1%
Migrant Worker Benefits	0	0	332,778	0	0	332,778	0	0	332,778	0.3%
Extended Employment Benefits	512,534	0	512,534	993,173	0	0	993,173	0	0	0.8%
Montana Telecommunications Access Prog.	0	1,100,444	1,100,444	0	1,240,408	0	0	1,349,982	0	1.0%
Social Security Benefits	0	0	185,214	0	0	185,214	0	0	185,214	0.1%
Subtotal Vocational Rehabilitation	3,378,979	1,100,444	15,778,758	4,371,040	1,240,408	11,702,199	4,442,652	1,349,982	11,966,532	13.4%
Percent of Total	21.4%	7.0%	100.0%	25.2%	7.2%	67.6%	25.0%	7.6%	67.4%	100.0%
Institutions										
Montana Development Center	14,258,663	49,405	14,308,068	14,070,011	49,405	0	14,040,362	49,405	0	10.8%
Eastern Montana Human Service Center	1,990,368	0	4,276,103	0	0	2,285,735	0	0	2,285,735	1.7%
MDC Medicaid	0	0	11,409,136	0	0	11,409,136	0	0	11,409,136	8.7%
Subtotal Institutions	16,249,031	49,405	29,993,307	14,070,011	49,405	13,694,871	14,040,362	49,405	13,694,871	21.2%
Percent of Total	54.2%	0.2%	100.0%	50.6%	0.2%	49.2%	50.5%	0.2%	49.3%	100.0%
Developmental Disabilities - Community Administration										
Targeted Case Management Administration	1,387,892	181	3,108,323	1,972,178	6,893	2,081,575	2,519,620	17,835	2,363,607	3.4%
Medicaid Benefits	553,647	0	1,360,820	638,388	0	792,010	647,597	0	784,802	1.1%
Part C and General Fund Benefits	13,117,785	0	54,454,572	17,944,962	501,000	42,152,262	17,397,811	976,000	41,693,071	46.0%
General Fund, Title XX, Other Benefits	2,845,047	0	4,523,566	2,935,047	0	1,678,519	2,935,047	0	1,678,519	3.5%
Targeted Case Management Benefits	4,497,090	0	8,903,392	4,493,690	0	4,401,212	4,493,690	0	4,401,212	6.8%
Subtotal Developmental Disabilities-Comm.	340,094	0	1,071,671	411,105	0	1,000,660	421,552	0	990,213	1.1%
Subtotal Developmental Disabilities-Comm.	22,741,555	181	51,020,702	28,395,370	507,893	52,106,238	28,415,317	993,835	51,911,424	61.9%
Percent of Total	30.8%	0.0%	100.0%	35.1%	0.6%	64.3%	34.9%	1.2%	63.8%	100.0%
Other										
Disability Determination Services	0	0	4,159,230	0	0	4,509,796	0	0	4,560,319	3.5%
Subtotal Other	0	0	4,159,230	0	0	4,509,796	0	0	4,560,319	3.5%
Percent of Total	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	100.0%
Total Disability Services Division	\$42,369,565	\$1,150,030	\$80,174,138	\$46,836,421	\$1,797,706	\$82,013,104	\$46,898,331	\$2,393,222	\$82,133,137	100.0%
Percent of Total	34.3%	0.9%	100.0%	35.8%	1.4%	62.8%	35.7%	1.8%	62.5%	100.0%

Figure 28 summarizes funding for benefit and claims costs by program and source of funds. The bulk of the benefit costs of the division support services for developmentally disabled individuals. Medicaid benefits, benefits funded from other sources, Montana Developmental Center, and targeted case management services for developmentally disabled individuals accounts for 88 percent of the benefits provided by the division. Vocational rehabilitation and related programs account for the remaining 12 percent.

The 2007 biennium budget for the division is about \$14.7 million or 6 percent greater than twice the FY 2004 base budget. Major budgetary actions include legislative adoption of the executive budget proposal, including:

- Movement of individuals from the Montana Developmental Center as required by the Travis D. litigation, including
 - A net decrease in general fund of almost \$1 million and an increase in federal funds of almost \$3 million. It should also be noted that this action will likely decrease general fund revenue from Medicaid reimbursements for services provided at the institution
 - Restricted, biennial, one-time-only funding for training (\$200,000), crisis services (\$400,000), and construction start-up costs (\$500,000) as required by the Travis D. litigation
- Reduction of the waiting list for DD services by provision of community services to 15 individuals, about \$2.3 million total funds
- Raising the benchmark for direct care worker wages used in developing the statewide published rate from the 25th percentile to the 35th percentile for comparable job categories, \$4.3 million total funds including \$475,000 general fund and \$1.4 million I-149 tobacco taxes

The legislative initiatives included in the 2007 biennium budget total about \$1.4 million and provide general fund support for:

- Modification of the executive proposal increasing direct care worker wages by utilizing \$475,000 of general fund to support the wage increase in the first half of FY 2006 rather than using I-149 tobacco tax funds
- Extended employment follow-along and sheltered work services, \$420,000 general fund for the biennium, which will serve about 60 individuals or one-half the waiting list in follow-along services and 10 individuals or one-half the waiting list in sheltered work services
- Independent living services, \$200,000 for the biennium to serve an additional 78 individuals in the eastern Montana region that includes six reservations
- Increased Part C Early Intervention services for disabled children, \$180,000 general fund for the biennium for services for about 18 children
- A computer technician to assist blind and visually impaired individuals in usage of computer technology adapted to their needs, \$130,000 for the biennium

Figure 28
Disability Services Division
Summary of Benefits Costs with Funding

Description	Fiscal 2004 - Base Budget				Fiscal 2006 Appropriation				Fiscal 2007 Appropriation				Percent Total
	General Fund	State Spec Rev	Federal Funds	Total Funds	General Fund	State Spec Rev	Federal Funds	Total Funds	General Fund	State Spec Rev	Federal Funds	Total Funds	
Benefits and Claims													
Voc Rehab Benefits	\$1,605,696	\$0	\$5,868,504	\$7,474,200	\$1,673,675	\$0	\$6,118,809	\$7,792,484	\$1,744,361	\$0	\$6,379,138	\$8,123,499	8.1%
Visual Services Medical Benefits	84,825	0	0	84,825	84,825	0	0	84,825	84,825	0	0	84,825	0.1%
Independent Living - Admin	7	0	60	67	8	0	59	67	8	0	59	67	0.0%
Independent Living - Benefits	3,710	0	70,180	73,890	103,710	0	70,180	173,890	103,710	0	70,180	173,890	0.2%
Sec. 110 Blind Low Vision Benefits	211,969	0	839,378	1,051,347	211,969	0	839,378	1,051,347	211,969	0	839,378	1,051,347	1.1%
Supported Employment	0	0	186,423	186,423	0	0	186,423	186,423	0	0	186,423	186,423	0.2%
Independent Living Part B Benefits	27,121	0	219,836	246,957	255,890	0	219,833	475,723	255,890	0	219,833	475,723	0.5%
Independent Living Part B Admin	150	0	1,350	1,500	150	0	1,350	1,500	150	0	1,350	1,500	0.0%
Migrant Worker Benefits	0	0	332,778	332,778	0	0	332,778	332,778	0	0	332,778	332,778	0.3%
Extended Employment Benefits	512,534	0	0	512,534	993,173	0	0	993,173	993,173	0	0	993,173	1.0%
Social Security Benefits	0	0	185,214	185,214	0	0	185,214	185,214	0	0	185,214	185,214	0.2%
Eastern Montana Human Service Center	0	0	2,285,735	2,285,735	0	0	2,285,735	2,285,735	0	0	2,285,735	2,285,735	2.3%
MDC Medicaid	0	0	11,409,136	11,409,136	0	0	11,409,136	11,409,136	0	0	11,409,136	11,409,136	11.4%
Medicaid Benefits	13,117,785	0	41,336,787	54,454,572	17,944,962	501,000	42,152,262	60,598,224	17,397,811	976,000	41,693,071	60,066,882	60.1%
Part C and General Fund Benefits	2,845,047	0	1,678,519	4,523,566	2,935,047	0	1,678,519	4,613,566	2,935,047	0	1,678,519	4,613,566	4.6%
General Fund, Title XX, Other Benefits	4,253,011	0	4,167,160	8,420,171	4,253,011	0	4,167,160	8,420,171	4,253,011	0	4,167,160	8,420,171	8.4%
Targeted Case Management Benefits	340,094	0	1,071,671	1,411,765	411,105	0	1,000,660	1,411,765	421,552	0	990,213	1,411,765	1.4%
Disability Determination Services	0	0	40,109	40,109	0	0	44,587	44,587	0	0	49,513	49,513	0.0%
Total Benefits and Grants	\$23,001,949	\$0	\$69,692,840	\$92,694,789	\$28,867,524	\$501,000	\$70,692,084	\$100,060,608	\$28,401,506	\$976,000	\$70,487,701	\$99,865,207	100.0%

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Disability Services Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 42,369,565	34.3%	\$ 46,836,421	35.8%	\$ 46,898,331	35.7%
	01100 General Fund	42,369,565	34.3%	46,836,421	35.8%	46,898,331	35.7%
02000	Total State Special Funds	1,150,030	0.9%	1,797,706	1.4%	2,393,222	1.8%
	02035 Mdc Vocational	49,405	0.0%	49,405	0.0%	49,405	0.0%
	02159 Handicapped Telecommunications	1,100,444	0.9%	1,247,120	1.0%	1,367,636	1.0%
	02475 Ddp Training Fund	181	0.0%	181	0.0%	181	0.0%
	02761 Medicaid Pilot Program Dd	-	-	16,000	0.0%	16,000	0.0%
	02772 Tobacco Hlth & Mediced Initiative	-	-	475,000	0.4%	950,000	0.7%
	02923 Donated Funds-Mdc	-	-	10,000	0.0%	10,000	0.0%
03000	Total Federal Special Funds	80,174,148	64.8%	82,013,104	62.8%	82,133,137	62.5%
	03024 Soc Sec - Trust Funds	185,214	0.1%	185,214	0.1%	185,214	0.1%
	03554 84.169 - Independent Living 90	275,892	0.2%	286,036	0.2%	287,744	0.2%
	03555 84.177 - Indep Living Old Blin	275,227	0.2%	244,709	0.2%	252,278	0.2%
	03556 84.181 - Part H - Early Interv	1,797,210	1.5%	1,797,210	1.4%	1,797,210	1.4%
	03557 84.187 - Vic Sup Employment	186,423	0.2%	186,423	0.1%	186,423	0.1%
	03558 84.224 - Mon Tech 100%	332,778	0.3%	332,778	0.3%	332,778	0.3%
	03559 84.265 - In Service Training 9	41,879	0.0%	41,788	0.0%	41,792	0.0%
	03579 93.667 - Ssbgs - Benefits	4,095,771	3.3%	4,095,771	3.1%	4,095,771	3.1%
	03580 6901-93.778 - Med Adm 50%	397,742	0.3%	397,742	0.3%	397,742	0.3%
	03583 93.778 - Med Ben Fmap	56,103,329	45.4%	55,328,277	42.3%	54,875,867	41.8%
	03588 93.802 - Disabil Deter Adm 100	4,159,230	3.4%	4,572,724	3.5%	4,724,260	3.6%
	03599 03 Indirect Activity Prog 10	2,321,600	1.9%	4,021,853	3.1%	4,020,637	3.1%
	03604 84.126 - Rehab-Sec110 A 78.7%	10,001,853	8.1%	10,522,579	8.1%	10,935,421	8.3%
Grand Total		\$ 123,693,743	100.0%	\$ 130,647,231	100.0%	\$ 131,424,690	100.0%

Disability Services Division is funded with a combination of general fund (36 percent), state special revenue (2 percent), and federal funds (62 percent). Most general fund support is used to draw down federal matching funds. The matching ratio for federal programs administered by the division varies. However, the most common ratios are as follows:

- Medicaid services are funded at the federal medical assistance participation rate, which is generally about 30 percent state funds and 70 percent federal funds
- Medicaid administrative costs are funded on a 50/50 ratio of state and federal funds
- Vocational Rehabilitation services are funded on a 21/79 ratio of state and federal funds
- Disability Determination services are funded entirely with federal funds
- The Montana Developmental Center (MDC) is funded entirely with general fund. Medicaid reimbursements for services provided at MDC are first used to repay bond debt and the remaining balance is deposited in the general fund

The single largest source of funding for the division is Medicaid benefit reimbursements that provide 42 percent of the division funding. Other than the general fund, no other funding source provides more than 10 percent of the funding for the division.

Biennial Budget Comparison

The 2007 biennium funding for the division is just less than 5 percent greater than the 2005 biennium level (Figure 29). General fund support increases \$8.4 million (10 percent) due to decreases in the federal matching rate for Medicaid costs resulting in increased general fund support, reduction in the waiting list for services, funding for direct care work wage increases, and legislative initiatives adding \$1.4 million general fund. State special revenue increases due to the provision of tobacco tax revenue (I-149) to support increases in Medicaid services and a slight increase in anticipated expenditures for the Montana Telecommunications Access Program (MTAP). Federal funds increase slightly because anticipated increases in expenditures eligible for federal reimbursement are offset by decreases in federal funds due to the change in the federal matching rate for Medicaid costs.

Figure 29					
2005 Biennium Compared to 2007 Biennium					
Disability Services Division					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	541.42	507.42		(34.00)	
Personal Services	\$45,026,963	\$43,938,534	\$0	(\$1,088,429)	-2.4%
Operating	15,111,810	18,029,930	0	2,918,120	19.3%
Equipment	87,988	156,266	0	68,278	77.6%
Benefits&Claims	189,703,581	199,925,815	1	10,222,234	5.4%
Debt Service	24,237	21,376	0	(2,861)	-11.8%
Total Costs	\$249,954,579	\$262,071,921	100.0%	\$12,117,342	4.8%
General Fund	\$85,308,210	\$93,734,752	35.8%	\$8,426,542	9.9%
State Special	2,404,626	4,190,928	1.6%	1,786,302	74.3%
Federal Funds	162,241,743	164,146,241	62.6%	1,904,498	1.2%
Total Funds	\$249,954,579	\$262,071,921	100.0%	\$12,117,342	4.8%

Increases in personal services costs due to statewide present law adjustments and pay plan increases adopted by the legislature are offset by a reduction in staffing (35.00 FTE) at the Montana Developmental Center due to the movement of individuals from the institution to community services for a net decrease in personal services. The increases in operating costs reflect primarily the inclusion of funding for the bed utilization fee at Montana Developmental Center in HB 2 and other anticipated cost increases such as training, rent, and various institutional operating costs.

The increase in benefits and claims reflects primarily increases in Medicaid benefits to developmentally disabled individuals. These costs increase because individuals are moved from the institution to community settings, the waiting list for services is reduced, and direct care worker wages are increased. Additionally, legislative initiatives impacting vocational rehabilitation related services increase benefits and claims costs about \$1.4 million.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				(196,641)						(150,318)
Vacancy Savings				(902,404)						(904,247)
Inflation/Deflation				19,166						13,411
Fixed Costs				(55,298)						(32,985)
Total Statewide Present Law Adjustments				(\$1,135,177)						(\$1,074,139)
DP 25 - FMAP Enhancement Adjustment	0.00	1,726,793	0	(1,726,793)	0.00	1,726,793	0	(1,726,793)	0	
DP 31 - FMAP Adjustment - Developmental Disabilities	0.00	1,140,119	0	(1,140,119)	0.00	1,561,844	0	(1,561,844)	0	
DP 40 - Closure of Eastmont Human Services Center	0.00	(284,530)	0	(284,530)	0.00	(284,362)	0	0	(284,362)	
DP 47 - Montana Developmental Center Base Adjustments	0.00	593,130	0	593,130	0.00	524,330	0	0	524,330	
DP 52 - Rent Increases	0.00	13,420	0	31,580	0.00	17,488	0	41,524	59,012	
DP 59 - Vocational Rehabilitation Tuition Increases	0.00	67,794	0	250,490	0.00	138,301	0	510,998	649,299	
DP 64 - Montana Developmental Center Replacement Equipment	0.00	51,000	0	51,000	0.00	36,000	0	0	36,000	
DP 92 - Montana Telecommunications Access Program Increase	0.00	0	244,448	0	244,448	0.00	0	353,470	0	353,470
DP 109 - Montana Telecommunications Access Program Decrease	0.00	0	(100,000)	0	(100,000)	0.00	0	(100,000)	0	(100,000)
DP 135 - Disability Determination Services Base Adjustment	0.00	0	0	102,816	0.00	0	0	153,569	153,569	
DP 9999 - Statewide FTE Reduction	0.00	(120,677)	0	0	(120,677)	0.00	(115,076)	0	0	(115,076)
Total Other Present Law Adjustments				\$849,471	0.00	\$3,605,318	\$253,470	(\$2,582,546)	\$1,276,242	
Grand Total All Present Law Adjustments				(\$285,706)						\$202,103

DP 25 - FMAP Enhancement Adjustment - The legislature provided an increase of approximately \$3.5 million general fund and an offsetting decrease of federal funds for the biennium to reflect the discontinuation of an enhanced Federal Medical Assistance Percentage (FMAP) rate. The federal Jobs and Growth Tax Relief Reconciliation Act provided a short-term enhanced FMAP rate that resulted in an increase in federal funds and decrease in state funds of about three percent in the base year.

DP 31 - FMAP Adjustment - Developmental Disabilities - The legislature provided an increase in general fund of about \$2.7 million for the biennium with an offsetting decrease in federal funds due to projected decreases in the FMAP rates for FY 2006 and FY 2007.

DP 40 - Closure of Eastmont Human Services Center - This legislature reduced general fund by \$568,892 for the biennium to reflect the closure of the Eastern Montana Human Services Center (Eastmont) in Glendive. HB 727 from the 2003 legislative session provided for the closure of Eastmont by December 31, 2003 and transfer of the facility to the Department of Corrections. Some employees of Eastmont transferred to the facility in Boulder and the remaining individuals' employment with the state was discontinued. Residents of the facility were moved to community group homes or to the Montana Developmental Center in Boulder. No FTE reductions are reflected in this decision package because at the time the personal services snapshot used to develop the 2007 biennium budget was completed, no FTE remained budgeted for Eastmont.

DP 47 - Montana Developmental Center Base Adjustments - The legislature provided \$1,117,460 general fund for the biennium for holidays worked, overtime and differential pay, and employer paid benefits, which are not included in the base budget.

DP 52 - Rent Increases - The legislature provided \$30,908 of general fund and \$104,012 federal funds for the biennium to support increases in rental costs at ten Developmental Disability and Vocational Rehabilitation field offices.

DP 59 - Vocational Rehabilitation Tuition Increases - The legislature provided \$206,095 general fund and \$967,583 total funds for the biennium to support increased tuition costs. The department estimates that tuition has and will increase about 4 percent per year. However, more than 4 percent per year is requested because no increase for tuition costs was included in the 2005 biennium budget.

DP 64 - Montana Developmental Center Replacement Equipment - The legislature provided \$87,000 of general fund for the biennium to replace equipment used in providing services to individuals who reside at the Montana Developmental Center. MDC proposes replacing one service truck and two passenger vans. Two of the passenger vans (which are used only for on campus transportation) have more than 100,000 miles and the other two passenger vans (which are used to transport clients off campus) have in excess of 90,000 miles each.

DP 92 - Montana Telecommunications Access Program Increase - The legislature provided an increase of about \$600,000 for the biennium from the handicapped telecommunications state special revenue fund. The increase in funding would support a projected expansion in usage of the captioned telephone service by individuals with hearing and speech impairments. The projected usage of captioned telephone service is offset in part by an anticipated decrease in the usage of traditional relay services.

DP 109 - Montana Telecommunications Access Program Decrease - The legislature reduced operating expenses of the MTAP program by \$200,000 state special revenue for the biennium. Operating costs reductions would be achieved by the cancellation of a contract for public relations and advertising. After this reduction, the program would have ongoing funding of \$30,000 per year in its budget to provide public relations, advertising, and program outreach through efforts such as a web page, newsletter, trade publications, senior fairs and limited radio and television advertising.

DP 135 - Disability Determination Services Base Adjustment - The legislature provided a \$256,385 increase in federal funds for the biennium for Disability Determination Services workload increases. These increases include: overtime, medical consultant contracts, rent, and claimant travel.

DP 9999 - Statewide FTE Reduction - This decision package reduces funding for personal services by \$235,753 general fund, but does not reduce FTE authorized by the Office of Budget and Program Planning, to reflect the across the board personal service reduction included in the 2005 biennium budget by the legislature.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 39 - Movement to Community Services										
10	(35.00)	(171,846)	0	1,604,871	1,433,025	(35.00)	(786,731)	0	1,508,243	721,512
DP 83 - Wait List Reduction										
10	0.00	326,138	0	798,863	1,125,001	0.00	335,700	0	789,300	1,125,000
DP 168 - Bed Tax Funding										
10	0.00	800,000	0	0	800,000	0.00	800,000	0	0	800,000
DP 700 - Extended Employment Additional										
10	0.00	210,000	0	0	210,000	0.00	210,000	0	0	210,000
DP 701 - Independent Living										
10	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 706 - Computer Tech Support Assist with Tech for Blind										
10	1.00	65,000	0	0	65,000	1.00	65,000	0	0	65,000
DP 707 - Part C Early Intervention										
10	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000
DP 713 - Direct Care Worker Incr. 25th-35th Percent 1-149										
10	0.00	475,000	475,000	1,219,445	2,169,445	0.00	0	950,000	1,190,604	2,140,604
DP 714 - Extend Tax Credit for Donations (HB 513)										
10	0.00	0	10,000	17,038	27,038	0.00	0	10,000	16,443	26,443
DP 715 - Medicaid Pilot Program (SB 433)										
10	0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
DP 716 - Revise ICF/DD Utilization Fee (SB 82)										
10	0.00	60,168	0	0	60,168	0.00	58,263	0	0	58,263
DP 3003 - Independent Living Part B										
10	0.00	228,766	0	0	228,766	0.00	228,766	0	0	228,766
DP 3010 - Extended Employment										
10	0.00	270,639	0	0	270,639	0.00	270,639	0	0	270,639
DP 6010 - 2007 Biennium Pay Plan - HB 447										
10	0.00	416,485	6,712	220,915	644,112	0.00	1,081,264	17,654	577,699	1,676,617
Total	(34.00)	\$2,870,350	\$507,712	\$3,861,132	\$7,239,194	(34.00)	\$2,452,901	\$993,654	\$4,082,289	\$7,528,844

DP 39 - Movement to Community Services - The legislature approved a reduction of \$939,379 general fund and an increase of \$3,113,114 in federal funds for the biennium to serve 26 individuals from the Montana Developmental Center in community services. As a result of the Travis D. lawsuit, which was settled in February 2004, the department proposes moving individuals from the state institution to community placements. This decision package includes training funds, crisis funds and construction start-up funds that have been designated by the legislature as biennial, restricted, one-time-only appropriations. This decision package also includes funds to hire contract FTE case managers and it the legislature's expectation that the increased costs incurred to provide state supplemental payments to recipients of supplemental security income will be will be funded with funds provided in this decision package.

DP 83 - Wait List Reduction - The legislature provided approximately \$660,000 of general fund and \$1.6 million of federal funds for the biennium as a restricted appropriation to move 15 individuals off the developmental disabilities waiting list.

DP 168 - Bed Tax Funding - The legislature provided \$1.6 million in general fund over the biennium for the Montana Developmental Center to pay the bed tax enacted by HB 722 of the 2003 session. This proposal is revenue neutral as a like amount will be deposited in the general fund. Funding for the 2005 biennium was provided as one-time-only funding and thus not included in the base budget for the 2007 biennium.

DP 700 - Extended Employment Additional - The legislature provided \$420,000 general fund for the biennium for the Extended Employment Program operated in conjunction with Vocational Rehabilitation services administered by the Department of Public Health and Human Services. \$280,000 general fund for the biennium was provided to serve 60 individuals on the waiting list for "follow along" work services and \$140,000 general fund for the biennium was provided to serve 10 individuals on the waiting list for "sheltered" work services.

The Extended Employment program serves people whose disabilities require they have training and job support at work

even after the initial job training has been complete. Some of these people work in sheltered workshops and some work in the community with a job coach. Currently, Vocational Rehabilitation is providing services to 125 severely disabled persons in the community and 74 in sheltered workshops.

DP 701 - Independent Living - The legislature provided \$200,000 general fund for the biennium to increase funding for Independent Living programs that are provided in conjunction with Vocational Rehabilitation services administered by the Department of Public Health and Human Services. The Independent Living program helps people with disabilities live independently in their community. Vocational Rehabilitation contracts with four independent living centers (Missoula, Helena, Great Falls, and Billings) to provide a wide array of services including advocacy, information and referral, basic skills training, employment and benefits planning, housing and education assistance, assistance with accessibility issues, and personal care assistance. In 2004, the centers for independent living served 1,512 individuals with a variety of disabilities

DP 706 - Computer Tech Support Assist with Tech for Blind - The legislature provided a restricted appropriation of \$130,000 general fund for the biennium to support 1.0 FTE and associated costs. This position is a computer support technician to provide assistance to blind and visually impaired individuals in the use of computer technology and software specifically designed for use by blind and visually impaired individuals.

DP 707 - Part C Early Intervention - The legislature provided \$180,000 general fund for the biennium to provide services to children on the waiting list for Part C Early Intervention services, specifically Family Education and Support Services. It is estimated that this funding will support services for 18 individuals for the biennium.

DP 713 - Direct Care Worker Incr. 25th-35th Percent I-149 - The legislature provided \$475,000 general fund, \$1.4 million state special revenue and \$2.4 million federal funds for the biennium to support increasing the direct care worker salary benchmark in the DD provider published rate schedule from the 25th to 35th percentile of comparable salaries. The state special revenue support for this increase is from revenue generated due to the passage of I-149 increasing tobacco taxes.

DP 714 - Extend Tax Credit for Donations (HB 513) - The legislature provided \$20,000 state special revenue and \$33,481 federal funds for the biennium contingent upon passage and approval of HB 513 which extends statutory provisions for tax credits for donations made to support developmental disabilities services.

DP 715 - Medicaid Pilot Program (SB 433) - The legislature provided \$32,000 state special revenue to support a pilot program of individuals receiving Medicaid Home and Community Based Waiver Services. The pilot program, as contained in SB 433, allow individuals to "save" a portion of any unexpended funds allocated to support their services for future use.

DP 716 - Revise ICF/DD Utilization Fee (SB 82) - The legislature provided \$128,749 general fund for the biennium (\$60,168 in FY06 and \$58,263 in FY07) to support the provisions of SB 82 revising the utilization fee for ICF/DD facilities.

DP 3003 - Independent Living Part B - The legislature provided \$457,532 general fund for the biennium to continue independent living services at the 2005 biennium level. This funding was previously provided through the diversion of tobacco settlement proceeds to the prevention and stabilization fund established by SB 485 from the 2003 session that is scheduled to terminate on June 30, 2005. The 2005 biennium funding from the prevention and stabilization fund was one-time-only funding and thus was not included in the base budget.

DP 3010 - Extended Employment - The legislature approved \$541,278 general fund for the biennium to continue extended employment services at 2005 biennium level. This funding was previously provided through the diversion of tobacco settlement proceeds to the prevention and stabilization fund established by SB 485 from the 2003 session that is scheduled to terminate on June 30, 2005. The funding provided for the 2005 biennium was one-time-only funding and thus not included in the base budget.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However his authority to do so is questioned and may be challenged through legal action.

“Funding for the Disability Services Division includes funding that supports community services for developmentally disabled individuals and the implementation of a statewide published rate schedule for reimbursement of these services. Funding for these services was appropriated by the legislature in a manner that supports a phased-in implementation of the published rate schedule, with one quarter of the reimbursement for services provided to consumers transitioning to the published rate schedule each year. The department may adjust the timeframe for implementation of the published rate schedule if necessary to maintain federal medicaid funding, avoid federal penalties, or achieve compliance with federal requirements. In the event that the timeframe for implementation of the published rate schedule is modified, the department shall notify members of the 2005 legislative joint appropriations subcommittee on health and human services prior to taking action to change the implementation schedule.

The disabilities services division shall report to the legislative finance committee and the members of the 2005 legislative joint appropriations subcommittee on health and human services every 6 months, on December 31 and June 30, on the status and progress of the following items:

- (1) design and implementation of a published rate schedule for providers of developmental disabilities services;*
- (2) design and implementation of the Montana resource allocation protocol to allocate resources among clients in the developmental disabilities service system;*
- (3) status of the pilot project implementation of the published rate schedule and Montana resource allocation protocol;*
- (4) status and timing of statewide implementation of the published rate schedule and Montana resource allocation protocol; and*
- (5) status of achieving compliance with centers for medicare and medicaid findings and regulations and whether or not imposition of any penalties is occurring.*

Funding in Montana Telecommunications Access Program may be expended only to support the activities of the Montana telecommunications access program.

Funding in Developmental Disabilities Training may be expended only to support developmental disabilities training for staff and providers as required in the settlement agreement of the Travis D. litigation.

Funding in Developmental Disabilities Crisis may be expended only to support developmental disabilities consumers who experience crisis and as required in the settlement agreement of the Travis D. litigation.

Funding in Developmental Disabilities Start-up may be expended only to support startup costs for service expansion as required by the settlement agreement of the Travis D. litigation.

Funding in Developmental Disabilities Waiting List Reduction may be used only to support services provided to

individuals who have been on the developmental disabilities waiting list and are entering developmental disabilities services.

Funding in Montana Developmental Center Bed Tax may be used only to support the bed tax charged to the Montana developmental center."

Other Issues

The legislature also heard testimony and considered a number of other issues, which are outlined in the following narrative.

System Redesign

The developmental disability (DD) service system is in the process of significant system change and evolution. Among the primary system changes that will be implemented are:

- Resource allocation changes - The process for allocation of the available funding among service recipients will change
- Statewide published provider rates - The fees that providers will be reimbursed will be determined based upon a published fee schedule and will be uniform statewide
- Provider billing - Rather than billing each month for 1/12 of a contracted amount, providers will bill for the services provided to each individual

The changes currently underway in the DD system impact most DD system stakeholders, including consumers, consumer families, providers, and the department. Additionally, as planning is undertaken for these changes, review, discussion, and change of policies occur.

Catalyst for Change

The two major catalysts for change influencing the DD system are: 1) federal Medicaid requirements and findings from the Center for Medicare and Medicaid (CMS) review of the Home and Community Based Services (HCBS) waiver serving developmentally disabled individuals; and 2) litigation. Both are significant because they may impact the financial status of the state. CMS may do so by withholding federal Medicaid reimbursement if the state is not in compliance with federal requirements. Court cases may do so by specifying both the level of state funding and how the funding must be expended.

Process of Change

Given the magnitude of the changes mandated by CMS and the significant level of effort that would be necessary to complete these changes, the department decided to hire a contractor to assist with several issues and in particular to assist with the development of a uniform statewide reimbursement methodology. In October 2003, Mercer Government Human Services Consulting (Mercer) began working to assist the department in issues related to the DD system. There were primarily two products developed by Mercer under contract with the department. These two products are:

- The Montana Resource Allocation Protocol (MONA)
- A schedule of published rates and reimbursement methodology that will be utilized statewide

The reimbursement project has moved to the implementation phase and a contract for this phase has been awarded to Davis-Deshaies, LLC. While the contracting entity has changed, it is important to know that the primary contract staff working on Montana's project continue to be the same individuals.

Montana Resource Allocation Protocol

The MONA is a tool that will be used to allocate the funding for DD HCBS waiver services among service recipients. The client and other individuals invited by the client work with a case manager to respond to a number of questions. The software application then applies formulas to determine the level of financial support needed to provide services to the individual. There are two versions of this tool, one to be used for children age six and above and another to be used for adults.

Provider Rates and Billing

Over the course of the past year the department, via Mercer, has been developing provider rates and a reimbursement methodology. The department plans to move to a published rate schedule that will be used to reimburse all providers and to a reimbursement methodology that reimburses based upon the service provided to the individual, rather than a contract with a provider to serve a predetermined number of individuals. This type of reimbursement system will more easily facilitate consumer choice among providers and portability of services from location to location.

Some portions of the rate calculation methodology use comparable benchmarks. Utilization of a benchmark is valuable in determining reimbursement rates. However, the use of a benchmark does not mean providers are required to pay costs at that rate. It simply means the reimbursement rate is adequate to pay costs at the specified level. Providers maintain freedom to establish employee wages, benefits, and other costs at the level the provider wishes.

In arriving at the direct care wage rate that would be assumed as part of the reimbursement rate calculation, the contractor evaluated a number of data sources of wage and salary information for comparable job duties to arrive at a benchmark.

The benchmark wage rate as proposed by the executive is set at the 25th percentile for comparable jobs. Employee benefits, including both mandated (social security, Medicare tax, workers compensation, and unemployment) and non mandated (health insurance, retirement, paid time off, etc), were benchmarked at 30.45 percent of wages. Program related costs were benchmarked at varying rates depending upon the service and range from 7 to almost 28 percent. General and administrative costs were benchmarked at varying rates ranging from 6 to 12 percent depending upon the service. In addition to the base hourly rate the proposed rate structure will incorporate a geographical factor that will increase reimbursement rates for some services provided in the eleven counties that ranked highest in several factors related to costs of housing, labor, etc.

Implementation

The department began a pilot project implementing changes in resource allocation and reimbursement related to Medicaid waiver services for adults in January 2005. This pilot will last about six months and be increased to about 160 individuals and the providers serving those individuals. The participants in the pilot were selected based upon a statewide random sample, with individuals having the option not to participate in the pilot if they wish to exercise that option. The department will be closely monitoring the impact of system changes on both consumers and providers. The resource allocation tool and published rate structure may be modified if results from the pilot implementation indicate a need to do so. Additionally, the department is in the planning stages of pilot implementation of changes in the children's system, and currently plans to implement a pilot in the children's system around October 1, 2005.

Stakeholder Involvement

Throughout the course of the past year as the DD program has pursued the Mercer project, the department has involved consumers, providers and other stakeholders via various mechanisms. An advisory group consisting of consumer representatives, providers, legislators, and other interested parties have met monthly to provide feedback and advice to the department. So called "focus" group meetings have been held statewide with consumers, consumer organizations, providers, and the public to provide information and respond to changes. Additionally, several meetings have been held with providers and provider groups to review the methodology behind the proposed rate, data collection and findings, and billing related issues.

Litigation

Issues surrounding the provision of services to developmentally disabled individuals have been the subject of litigation at both the state and federal level. At the federal level, the U.S. Supreme Court decision in the case commonly known as Olmstead has been well publicized for its impact on states and the delivery of services to disabled individuals. At the state level, the recent settlement of the case commonly known as Travis D. has immediate program and financial impacts, some of which are included in the budget proposed by the executive.

Legislative Action

The legislature heard testimony and considered information related to the system redesign underway in developmental disabilities services. The legislature included language in HB 2 that encourages the department to utilize a four year phased-in approach to implementation of the statewide published rate structure. The department may alter the phase-in time frame if necessitated to maintain compliance with federal Medicaid requirements.

Additionally, the legislature included language in HB 2 requiring regular reports to the Legislative Finance Committee regarding various aspects of the major system change that is underway in this system. The Governor has indicated his intent to line item veto this language and remove it from HB 2. His authority to do so is questioned and may be challenged in court.

Pending Litigation

In September 2002, the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities filed suit. Defendants in the MAIDS lawsuit include the Department of Public Health and Human Services and key department and state personnel. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleges that the disparity in wages and benefits paid to employees of community based providers, verses the wages and benefits paid to employees of state institutions, has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs allege that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between employees of state run institutions and community providers eliminated; and 2) to have uniform Medicaid reimbursement rates established. The court is schedule to hear this lawsuit in August of 2005.

A finding in favor of the plaintiffs and requiring the state to reimburse contractors at a level that provides direct care wage rates that are comparable to state employees would likely have a financial impact on the DD system that would be measured in terms of millions of dollars. The potential for similarly situated employee groups of contractors to file similar legal actions exist. The probability and magnitude of such action is currently unknown. Furthermore, how such a finding might impact the definition of employee, employer relationships, and other aspects of labor relations and compensation has not been studied.

Bed Day Utilization Fee

HB 722 from the 2003 session imposed a utilization fee on resident bed days of intermediate care facilities for the mentally retarded (ICF/MR). The fee imposed was equal to 5 percent of the facility's quarterly revenue, divided by the resident bed days for the quarter. This fee becomes part of the operating costs of the facility and is Medicaid reimbursable. The proceeds (Medicaid reimbursement) of the utilization fee are deposited 30 percent in the general fund and 70 percent in the state special revenue fund (prevention and stabilization fund) for use by the department. SB 82 increased the utilization fee from 5 to 6 percent.

Medicaid Pilot Savings Program

The legislature in SB 433 authorized a pilot Medicaid program for some individuals with developmental disabilities. This pilot program will allow individuals enrolled Medicaid home and community based waiver services to place up to one-half the funding allocated but not expended to meet their basic health and safety needs into an individual account for future use. The pilot is limited to 50 individuals. Through provisions in SB 433, the department is authorized to determine the conditions and operating features of the pilot program. Because it involves the Medicaid program funds details of the pilot program must be approved by representatives of CMS.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	52.00	0.00	34.00	86.00	0.00	34.00	86.00	86.00
Personal Services	2,291,742	210,123	1,722,910	4,224,775	208,855	1,886,038	4,386,635	8,611,410
Operating Expenses	5,809,215	3,788,641	9,411,338	19,009,194	3,789,632	11,975,917	21,574,764	40,583,958
Grants	19	0	597,918	597,937	0	1,304,061	1,304,080	1,902,017
Benefits & Claims	347,662,820	58,807,055	62,462,925	468,932,800	87,158,962	69,638,286	504,460,068	973,392,868
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$355,766,078	\$62,805,819	\$74,195,091	\$492,766,988	\$91,157,449	\$84,804,302	\$531,727,829	\$1,024,494,817
General Fund	71,665,419	25,676,781	651,391	97,993,591	33,660,551	(219,402)	105,106,568	203,100,159
State/Other Special	5,428,379	2,163,254	26,711,593	34,303,226	2,676,406	30,639,418	38,744,203	73,047,429
Federal Special	278,672,280	34,965,784	46,832,107	360,470,171	54,820,492	54,384,286	387,877,058	748,347,229
Total Funds	\$355,766,078	\$62,805,819	\$74,195,091	\$492,766,988	\$91,157,449	\$84,804,302	\$531,727,829	\$1,024,494,817

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, children's mental health services, the Children's Health Insurance Program (CHIP), and children's special health services. The purpose of the division is to improve and protect the health and safety of Montanans. The 2005 legislature approved two new programs (prescription drug assistance for low-income persons and health insurance tax credits and premium assistance) that will be fully or partially administered by HRD. The prescription drug assistance program will help persons with incomes under 200 percent of the federal poverty level pay for prescription drugs. The division will apply for a Medicaid waiver to include premium assistance for low-income workers of small employers and if approved administer the waiver.

The division provides a wide range of preventive, primary, and acute care services to individuals and communities. Services are provided through a broad range of private and public providers, including physicians, public health departments, clinics, and hospitals.

Acute and primary care services are provided through the Medicaid program and CHIP, and services for children with special health care needs. The division contracts with over 700 nonprofit providers for the delivery of health care services. Medicaid is a voluntary state/federal partnership to provide and finance these services to the aged, blind, disabled, or low-income families.

The division administers CHIP as a separate health insurance program and contracts with an insurance plan to provide medical services. CHIP dental and eyeglasses benefits are administered by the department.

Program Highlights

Health Resources Division (HRD)**Major Budget Highlights**

- ◆ The legislature created two new programs to implement voter initiative 1-149 and appropriated \$22 million state special and federal revenue from tobacco tax increases and drug rebate revenue, including funding for 9.00 new FTE
 - A low income pharmacy assistance program (SB 324) - \$18 million in tobacco state special revenue and drug rebate revenue
 - A Medicaid waiver to augment health insurance premium assistance for low-income workers of small employers (HB 667) - \$2 million in tobacco state special revenue and federal Medicaid funds
- ◆ Medicaid caseload and service utilization changes add \$136 million, including \$24 million general fund
- ◆ Medicaid matching rate changes add \$29 million general fund and reduce federal funds by a like amount
 - \$15 million is due to the termination of the temporary 2.95 percent federal match rate increase in FY 2004
 - \$15 million is due to annual changes in federal Medicaid match rates based on changes in each state's per capita income compared to national per capita income
- ◆ Legislative initiatives add \$106 million total funds for the following rate increases:
 - Hospitals - \$83 million, with \$14 million in bed tax revenue providing the state match
 - Physicians - \$5.5 million, with \$0.4 million general fund and \$1.2 million tobacco state special revenue as state match
 - Children's Medicaid mental health services - \$3 million, with \$0.9 million tobacco state special revenue as state match
- ◆ Legislative appropriations add nearly \$17 million in increases over FY 2004 base budget expenditures for CHIP, allowing enrollment to expand from 10,900 to 13,900 children
- ◆ A legislative initiative to raise the Medicaid asset limit from \$3,000 to \$15,000 for Medicaid eligibility for children (HB 552) adds \$6 million federal matching funds and health services for 3,775 more children
 - State matching funds of about \$2 million in tobacco tax state special revenue are appropriated in HB 552
- ◆ Legislative funding supports 34.00 new FTE
 - 10.00 FTE for analysis of Medicaid program costs and management of the PASSPORT and pharmacy programs
 - 9.00 FTE to administer the low-income prescription drug assistance program (SB 324)
 - 7.00 FTE to help develop a children's system of care
 - 5.00 FTE for children's mental health regional representation
 - 2.00 FTE to manage CHIP expansion
 - 1.00 FTE to administer a Medicaid waiver for the health insurance premium program for low-income workers of small employers (HB 667)

Program Narrative

The 2007 biennium appropriation for the Health Resources Division (HRD) exceeds \$1 billion total funds, which is in excess of most biennial appropriations for individual agencies. Appropriations rise from base budget expenditures of \$356 million to \$532 million in FY 2007.

The lion's share of appropriation increases approved by the legislature support growth in benefits and claims for Medicaid and CHIP. The FY 2007 biennium appropriation compared to the base budget increases \$264 million in total funds for these two programs. The largest appropriation changes approved by the legislature are:

- Medicaid services
 - Service utilization and eligibility increases - \$91 million total funds, including \$24 million general fund and \$2 million in state special revenue interest income from the tobacco settlement trust fund
 - Hospital rate increases - \$83 million total funds, including \$25 million in state special revenue (hospital utilization fees contingent upon passage and approval of SB 120)
 - General fund increases of \$29 million and federal funding decreases of a like amount to reflect changes in the state/federal cost shares for direct Medicaid services
 - Indian Health Services - \$25 million in federal Medicaid pass through funds
 - School based services - \$16 million in federal Medicaid matching funds for Medicaid eligible services provided by schools and administrative costs
 - Medicare buy in - \$8 million total funds, including \$2 million general fund to pay Part A and Part B premiums for persons
 - Children's mental health Medicaid services - \$8 million total funds, including \$2 million general fund
 - Raising the Medicaid asset limit for children contingent upon passage and approval of HB 552 - \$5 million federal Medicaid matching funds (\$1.9 million tobacco tax state special revenue matching funds appropriated in HB 552)
 - Physician rate increases - \$5.5 million total funds, \$1.4 million tobacco state special revenue (I-149) and \$0.2 million general fund
 - Children's mental health rate increases - \$3 million total funds, including \$0.9 million tobacco tax state special revenue (I-149) funds
 - Breast and cervical cancer treatment for persons screened through the program managed by the Public Health and Safety Division - \$2 million total funds, including \$0.4 million general fund
- CHIP - \$24 million total funds, including state matching funds of \$1 million general fund and \$6 million in tobacco settlement and tobacco tax state special revenue to maintain enrollment at 10,900 children and add another 3,000 children for total enrollment of 13,900 annually

Major Policy Issues Considered by the Legislature

The most significant changes made by the legislature to the HRD function and budget are the approval of two new programs to implement a voter initiative (I-149) passed in November 2004 – a prescription drug assistance program for low-income Montanans (SB 324) and a health insurance tax credit and premium assistance program for small employers (HB 667). HRD will implement and administer the prescription drug program, while the State Auditor's Office will administer the tax credit and premium assistance program. As part of the total premium assistance program, HRD will develop and apply for a Medicaid waiver to help pay health insurance premiums for low-income workers of small employers.

The prescription drug assistance program adds \$20 million in state special revenue to the HRD 2007 biennium appropriation, including funds for 9.00 new FTE. The Medicaid waiver for the premium assistance program adds \$2 million, predominantly in federal Medicaid matching funds, and funding for 1.00 new FTE.

Both programs are heavily reliant on tobacco tax revenue generated by tax increases approved in I-149 and deposited to the health initiatives and Medicaid account. Both bills were amended to require that the Office of Budget and Program Planning (OBPP) project tobacco tax revenues by July 1. If projected revenue will be insufficient to fund the appropriations made from the health initiatives and Medicaid account, then OBPP is to direct agencies to amend

operating plans to reduce expenditures to remain within anticipated revenues. Additionally, all but \$1 million of the appropriations from the health initiatives and Medicaid account for the prescription drug program cannot be spent until the revenues in the account reach a balance of \$25 million or December 1, 2005, whichever comes first. Health initiatives and Medicaid account appropriations cannot be spent for the tax credit and premium assistance program until the account reaches \$25 million.

OBPP pledged in a letter sent to members of the Legislative Finance Committee that it would give first priority to funding Medicaid services and provider rate increases from the health initiatives and Medicaid account if projected revenues are insufficient to support all appropriations made by the legislature.

Other Legislative Initiatives

The legislature accepted the majority of the executive budget request for the Health Resources Division and added some of its own initiatives. Legislative initiatives include Medicaid provider rate increases for children's mental health and physicians, raising the asset limit from \$3,000 to \$15,000 per family for Medicaid eligibility for children (HB 552), and addition of 5.00 new FTE to help administer the Medicaid services programs.

FTE Increases

Personal services funding continues at about 1 percent of the total division budget, despite the addition of 34.00 new FTE and funding increases of about \$1.3 million per year. FTE increases include:

- 10.00 FTE to review Medicaid data to help identify areas of potential cost containment, and better service delivery and coordination, with 6.00 FTE added by legislative initiative
- 9.00 FTE to administer the prescription drug assistance program for low income Montanans (SB 324)
- 7.00 FTE to help develop a children's system of care
- 5.00 FTE placed in regions throughout the state to help administer mental health services for children,
- 2.00 FTE for CHIP
- 1.00 FTE to administer a Medicaid waiver program to help health insurance premiums for low income workers of small employers (HB 667)

Division Appropriation by Function

Figure 30 shows the HRD appropriation by major function. The totals in Figure 30 will not tie to total amounts shown in the main program table, because Figure 30 includes appropriations from HB 552 (expand Medicaid eligibility for children) as well as adjustments to base budget expenditures to include hospital rate increases due to the hospital daily bed tax implemented as a one-time-only adjustment in the 2005 biennium. Since the legislature approved SB 120 to continue the fee and because eligibility changes in HB 552 will be permanent, the costs are included to present a more realistic comparison to FY 2004 base budget expenditures and total 2007 biennium appropriations.

Figure 30

Fiscal 2004 Base Budget Compared to 2007 Biennium Appropriation, Including HB 552 in the Benefits Totals Section
Health Resources Division

Major Function and Services	FY 2004 Base Budget			Total	FY 2006 Appropriation			Total	FY 2007 Appropriation			% of Total	
	General Fund	SSR	Federal		General Fund	SSR	Federal		General Fund	SSR	Federal		
Major Function													
Medicaid Services	\$58,402,303	2,538,201	215,392,949	\$276,333,453	\$83,038,872	\$19,218,130	\$283,150,777	\$385,407,779	\$89,942,797	\$21,341,363	\$307,733,321	\$419,017,481	79%
Children's Health Resources	493,360	2,656,626	14,305,121	17,455,107	1,101,200	5,235,714	22,850,802	29,187,716	1,101,200	5,905,304	24,153,144	31,159,648	6%
Children's Mental Health	12,769,756	233,552	48,974,210	61,977,518	13,853,519	1,108,552	54,455,762	69,417,833	14,062,571	283,552	53,640,656	67,986,779	13%
Prescription Drug Program (SB 324)	0	0	0	0	0	8,728,000	0	8,728,000	0	11,192,240	0	11,192,240	2%
Health Insurance Premium Assistance Program (HB 667)	0	0	0	0	0	12,830	12,830	25,660	0	21,744	2,349,937	2,371,681	0%
Total Division Budget*	\$71,665,419	\$5,428,379	\$278,672,280	\$355,766,078	\$97,993,591	\$34,303,226	\$360,470,171	\$484,013,328	\$105,106,568	\$38,744,203	\$387,877,058	\$531,727,829	100%
Percent of Total	20%	2%	78%	100%	20%	7%	74%	100%	20%	7%	73%	100%	
Compounded Annual Rate of Change					17%	151%	14%	17%	7%	13%	8%	10%	
Benefits													
Medicaid Services													
Hospital Services	\$25,847,345	\$8,067,120	\$93,442,652	\$127,357,117	\$32,818,019	\$14,213,981	\$106,323,448	\$153,355,448	\$34,439,495	\$16,112,170	\$111,454,447	\$162,006,112	30%
Pharmacy Services	17,018,984	0	64,396,977	81,415,961	25,871,842	0	69,965,138	95,836,980	30,045,284	0	77,339,316	107,384,600	20%
Children's Mental Health Svcs	12,432,654	233,552	48,171,045	60,837,251	13,515,691	1,108,552	52,898,009	67,522,252	13,723,226	283,552	51,310,993	65,317,771	12%
Acute Services	4,871,238	0	15,021,851	19,893,089	7,852,143	2,058,952	28,497,511	38,408,606	7,119,645	4,130,188	31,795,158	43,044,991	8%
Managed Care Services	5,114,476	0	21,766,590	26,881,066	8,378,220	1,323,210	24,472,735	34,174,165	8,585,473	1,346,732	24,220,482	34,152,687	6%
Medicare Buy-In	2,949,965	0	9,295,635	12,245,600	4,584,693	0	10,865,057	15,449,750	5,165,456	0	11,842,350	17,007,806	3%
Cervical and Breast Cancer	297,774	0	1,269,896	1,567,670	471,883	0	1,950,101	2,421,984	554,601	0	2,241,319	2,795,920	1%
Indian Health Services	0	0	26,652,410	26,652,410	0	0	36,232,971	36,232,971	0	0	42,246,203	42,246,203	8%
CHIP	319,477	2,656,626	12,695,848	15,671,951	1,445,816	2,942,150	17,142,781	21,530,747	1,277,872	3,586,617	18,399,446	23,263,935	4%
Prescription Drug Program	0	0	0	0	0	6,000,000	0	6,000,000	0	8,750,000	0	8,750,000	2%
Premium Assistance Program**	0	0	0	0	0	0	0	0	0	0	2,328,163	2,328,163	0%
Adjustments	0	0	0	0	0	0	0	(267)	0	0	(267)	(267)	0%
Total Benefits*	\$68,851,913	\$10,957,298	\$292,712,904	\$372,522,115	\$94,938,307	\$27,646,845	\$348,347,484	\$470,932,636	\$100,911,052	\$34,209,259	\$373,177,610	\$508,297,921	96%
Percent of Total Benefits	18%	3%	79%	100%	20%	6%	74%	100%	20%	7%	73%	100%	
Compounded Annual Rate of Change					17%	59%	9%	12%	6%	24%	8%	8%	

*The totals shown in this table will not match the totals shown in the main program table due to several adjustments. First, expenditures from the hospital utilization fee authorized by HB 481 by the 2003 Legislature were removed from the FY 2004 base budget, but are included in this table. The legislature passed SB 120 to continue the fee. Second, the appropriation for state match included in HB 552 (expand Medicaid eligibility for children) is also included in this table for comparative purposes, since eligibility changes enacted by HB 552 will be permanent.

**The State Auditor will transfer site matching funds for the federal Medicaid matching funds.

Medicaid Services

Medicaid services administered by HRD are commonly referred to as “state plan” services, meaning that all Medicaid eligible persons are eligible for state plan services, which include services such as hospital, physician, pharmacy, physical therapy, speech therapy, and dental services. The division also administers children’s mental health services and special health services for low-income children.

Medicaid services are funded by a combination of general fund, state special revenue, and federal Medicaid funds. State special revenue includes tobacco settlement revenues, interest income from the tobacco settlement constitutional trust fund, and payments from insurance companies for Medicaid eligible persons with private insurance.

Medicaid funded hospital services are the largest expenditure component shown in base budget expenditures, with \$128 million for services, including \$30 million in additional reimbursements from the hospital utilization fee imposed by HB 481 approved by the 2003 Legislature (15-66-102, MCA). Hospitals proposed the fee, which was approved by the Centers for Medicare and Medicaid Services (CMS). The fee income was used to draw down additional federal Medicaid matching funds to increase Medicaid payment rates. Figure 30 includes these payments even though they were removed from the HRD base budget as a one-time expenditure, since the utilization fee was imposed only during the 2005 biennium. The 2005 legislature passed SB 120 to continue the fee.

Pharmacy services have grown rapidly over the years, and are projected to exceed \$100 million annually by FY 2007. However, part of Medicaid pharmacy costs are offset by rebate payments made by drug manufacturers as a condition of participating in the Medicaid program. Pharmacy costs recorded in the state accounting system reflect the net of expenditures less rebates. Historically, rebates have ranged from 18 to 20 percent of total pharmacy costs. The amounts shown in Figure 30 are net of pharmacy rebate income.

Pharmacy Cost Containment

The amount for Medicaid pharmacy costs in Figure 30 is also net of several cost containment initiatives implemented by DPHHS late in the 2005 biennium and those proposed for the 2007 biennium and adopted by the legislature. Pharmacy costs are anticipated to decrease about \$11 million total funds over the biennium compared to FY 2004 expenditures.

Preferred Drug List

HRD began designing a preferred drug list (PDL) in the late summer of 2004, with a completion date in early 2005. The purpose of a PDL is to establish the most effective drug or drugs in treating a specific disease or medical condition and include those drugs on the preferred drug list. Other “non approved” drugs must then be prior approved in order for the prescription to be covered by Medicaid. (Clients still receive 3 days of prescription coverage even if the drug is not prior approved.) This process is already in place for generic drugs, so it will not impose new or unknown administrative burdens on physicians or Medicaid clients.

Pharmacy Purchasing Pool

DPHHS received federal approval during the 2005 legislative session to join an existing purchasing pool with 6 or 7 other states in order to negotiate additional rebate payments from drug manufacturers. The purchasing pool has more clout than an individual state such as Montana because there are more covered lives. DPHHS will receive additional rebate payments, and lower the overall cost of Medicaid pharmacy services.

Children’s Mental Health Services

Children’s mental health services were about \$61 million in base budget expenditures. HRD has been working on development of a children’s system of care, meaning that all public agencies that could be involved with a child and family come together to help identify and provide services to help keep the child in the family and in the community.

The executive budget anticipated and the legislature adopted \$1.5 million in mental health services savings over the biennium, due to implementation of systems of care Kids’ Management Authorities (KMAs) and expansion of KMAs to

more areas of the state. In addition, funding increases to place staff regionally throughout the state are anticipated to help keep children in lower levels of care.

Montana also received a grant from the Substance Abuse and Mental Health Services Administration (SAMHSA) to help implement the system of care. The grant will be available over the next several years and funds 7.00 FTE.

Managed Care Medicaid Services

There are some components of managed care in the state Medicaid program, including

- Nurse First - a disease management program for asthma, heart disease, diabetes, and some high cost cases
- Passport - a primary doctor/gate keeper program

The cost for managed care services totaled about \$61 million during FY 2004. The legislature approved use of \$2.6 million from the health initiatives and Medicaid account (I-149) for state Medicaid match.

Acute Services

Acute Medicaid services include physician services, durable medical equipment, school based services reimbursement, and therapy services such as speech therapy, physical therapy, and occupational therapy. The FY 2007 appropriation for acute services more than doubles over base budget expenditures due to:

- Reimbursement for Medicaid administrative match claiming by schools, which is 100 percent federal funded
- Rate increases added by legislative initiative for physicians and other providers and funded from the Health initiatives and Medicaid account
- Eligibility expansion for children (HB 552)

Medicare Buy-In

The Medicaid program pays for Medicare Part A and Part B coverage for persons who are eligible for both Medicare and Medicaid. Medicare then pays for a share of medical costs that would otherwise be paid for by Medicaid. This program grows from \$12 to \$17 million over the 2007 biennium due to anticipated enrollment and premium increases. Eligibility increases could be greater due to the outreach associated with the Medicare Modernization Act.

Cervical and Breast Cancer

Montana accepted federal funds to screen persons for breast and cervical cancer. As a condition of receiving the grant, Medicaid eligibility is extended to persons with incomes under 200 percent of the federal poverty level who participate in the screen and who are determined to have breast or cervical cancer. The Medicaid services covered are those included in the basic Medicaid service package available to low-income adults with children. The cost of providing services for persons with breast and cervical cancer grows from \$2 to \$3 million by the end of the 2007 biennium.

Indian Health Services

Indian Health Services providers receive Medicaid reimbursement for services provided to Medicaid eligible tribal members. The reimbursement is 100 percent federally funded and is estimated to increase from \$27 million in the base budget to \$42 million in FY 2007.

Children's Health Insurance Program (CHIP)

CHIP base budget expenditures were about \$16 million and grow to \$23 million in FY 2007. State general fund match rises from \$0.3 million to \$1 million and state special revenue grows from \$3 million to \$4 million, largely due to appropriation of Medicaid and health initiative revenues to support the CHIP state match. Enrollment is expected to increase from 10,900 to 13,900 children annually.

Prescription Drug Program

HRD will be implementing the new prescription drug program for low-income Montanans, with an expected enrollment start date of January 1, 2006 to coincide with the new Medicare prescription drug benefit (Medicare Modernization Act). The \$20 million appropriation is allocated mostly to direct services to individuals (\$15 million). The fiscal note for SB

324 anticipates that about 20,000 persons will participate in the program. Additionally, the appropriation will support a pharmacy assistance line for Montanans, with the anticipation that the program will receive up to 6,000 calls by FY 2007.

Program administration costs will be paid by drug rebates from drug companies participating in the program. It is estimated that the rebate revenue will average 4 percent of total prescription costs. The legislature appropriated \$4 million of rebate revenue to support program administration, which includes the costs of the pharmacy technical assistance phone line and website.

Health Insurance Tax Credit and Premium Assistance Program

The State Auditor’s Office will administer the health insurance tax credit and premium assistance program for small employers. HRD will develop and implement a Medicaid waiver to help pay health insurance premiums for low-income workers of small employers. The legislature appropriated about \$2 million in federal Medicaid matching funds for the waiver. The State Auditor will transfer funds to DPHHS to pay the state Medicaid match.

Biennial Comparison

Figure 31 shows the 2005 biennium expenditures and appropriation compared to the 2007 biennium appropriation. The biennial comparison again illustrates the majority of appropriations in HRD support direct services to individuals – 95 percent. Although the increase in benefits appropriations shows the least percentage growth (32 percent) the dollar increase is the largest - \$235 million. The increase is fueled by Medicaid service changes, including some eligibility and service expansions as well as provider rate increases, predominantly for hospitals due to SB 120, which continued the bed tax fee. CHIP expansion, and the new prescription drug assistance and health insurance premium assistance programs also contribute to the growth in benefits and claims.

Figure 31 2005 Biennium Compared to 2007 Biennium Health Resources Division					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	52.00	86.00		34.00	65%
Personal Services	\$4,916,451	\$8,611,410	1%	\$3,694,959	75%
Operating	12,585,238	40,583,958	4%	27,998,720	222%
Equipment	0	0	0%	0	0%
Grants	13,070	1,902,017	0%	1,888,947	14453%
Benefits/Claims	738,306,380	973,392,868	95%	235,086,488	32%
Debt Service	4,565	4,564	0%	(1)	0%
Total Costs	\$755,825,704	\$1,024,494,817	100%	\$268,669,113	36%
General Fund	\$160,034,277	\$203,100,159	20%	\$43,065,882	27%
State Special	15,610,033	73,047,429	7%	57,437,396	368%
Federal Funds	580,181,394	748,347,229	73%	168,165,835	29%
Total Funds	\$755,825,704	\$1,024,494,817	100%	\$268,669,113	36%

The increase in grants funding is due to the federal SAMHSA grant to implement a system of care for children who need mental health services. Personal services costs support 34.00 new FTE as well as annualization of FY 2005 pay plan and 2007 biennium pay plan increases.

Operating cost increases include funds to support the new prescription drug program as well as other new staff funded by the legislature.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

		Program Funding Table Health Resources Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 71,665,419	20.1%	\$ 97,993,591	19.9%	\$ 105,106,568	19.8%
	01100 General Fund	71,665,419	20.1%	97,993,591	19.9%	105,106,568	19.8%
02000	Total State Special Funds	5,428,379	1.5%	34,303,226	7.0%	38,744,203	7.3%
	02142 Medicaid Third Party Revenue	858,686	0.2%	858,686	0.2%	858,686	0.2%
	02311 6901-02 Indrct Activity Prog 11	7,548	0.0%	8,151	0.0%	8,480	0.0%
	02763 Drug Rebates - Sb 324	-	-	1,728,000	0.4%	2,442,240	0.5%
	02766 End Stage Renal Checkoff - Sb 85	-	-	24,000	0.0%	24,000	0.0%
	02772 Tobacco Hlth & Medico Initiative	-	-	14,099,404	2.9%	15,708,087	3.0%
	02773 Childrens Special Health Services	-	-	200,000	0.0%	200,000	0.0%
	02789 6901-Chip/Mcha Tobacco Sett Fd	2,656,626	0.7%	3,090,787	0.6%	3,051,670	0.6%
	02987 Tobacco Interest	1,671,408	0.5%	2,555,562	0.5%	3,045,562	0.6%
	02989 69010-Hospital Utilization Fee	234,111	0.1%	11,738,636	2.4%	13,405,478	2.5%
03000	Total Federal Special Funds	278,672,280	78.3%	360,470,171	73.2%	387,877,058	72.9%
	03031 Maternal & Child Health	868,395	0.2%	876,536	0.2%	889,250	0.2%
	03426 Chip Program Fed	13,436,726	3.8%	19,620,123	4.0%	20,503,455	3.9%
	03580 6901-93.778 - Med Adm 50%	3,716,183	1.0%	7,636,501	1.5%	7,690,818	1.4%
	03582 93.778 - Med Ben 100%	26,652,410	7.5%	36,232,971	7.4%	42,246,203	7.9%
	03583 93.778 - Med Ben Fmap	233,870,025	65.7%	294,850,237	59.8%	314,530,067	59.2%
	03611 6901-03 Indrct Activity Prog 11	128,541	0.0%	137,514	0.0%	151,650	0.0%
	03794 Samsha Grant	-	-	1,116,289	0.2%	1,865,615	0.4%
Grand Total		<u>\$ 355,766,078</u>	<u>100.0%</u>	<u>\$ 492,766,988</u>	<u>100.0%</u>	<u>\$ 531,727,829</u>	<u>100.0%</u>

The Health Resources Division (HRD) is funded with general fund, state special revenue, and federal funds. The single most significant funding source is federal Medicaid matching funds, which account for nearly 69 percent of the FY 2007 appropriation when administrative and services funding is combined. The next most significant source of funding is general fund, which averages about 20 percent of funding from FY 2004 through FY 2007.

The majority (97 percent) of general fund in HRD is used to match federal Medicaid and Children's Health Insurance Program (CHIP) funds to provide direct services to individuals. About \$3 million funds administrative costs, and again, primarily the state match for Medicaid and CHIP program administration. General fund also supports the End Stage Renal Program (about \$92,000 annually with authorization in 50-44-102, MCA).

General fund increases nearly \$60 million comparing the 2007 biennium appropriation to base budget expenditures. The increase is due to projected growth in Medicaid costs and changes in the state match rate for Medicaid and CHIP. During the base budget year, the federal Medicaid match rate was raised temporarily by 2.95 percent, which causes 2007 biennium general fund costs to increase \$15 million in order to maintain the same level of Medicaid services. In addition, the normal annual adjustments to the federal Medicaid matching rate will increase the state match rate for Medicaid and CHIP during the 2007 biennium, causing general fund costs to increase \$15 million to maintain the same level of services. Altogether, changes in the state Medicaid match rate total \$29 million or nearly half of the \$60 million general fund increase. The largest share of the remaining balance of general fund change is due to Medicaid caseload growth (\$26 million), which is partially offset by anticipated savings due to enhanced management and oversight (\$3 million).

State special revenue provides 2 percent of base budget funding and rises to 7 percent in FY 2007. Sources of state special revenue, activities, and biennial appropriations are:

- Hospital utilization fee (\$25 million) – a per inpatient bed day fee used as state match to draw down additional federal matching funds to increase Medicaid payments to hospitals
- I-149 state special tobacco tax revenue from the health and Medicaid initiatives account - \$30 million over the biennium

- CHIP matching funds (\$5 million)
- Medicaid services matching funds (\$3 million)
- Medicaid match for rate increases and some service and eligibility expansions (\$2 million)
- Additional children's specialty health clinic (\$75,000)
- Tobacco settlement funds for CHIP state match (\$6 million)
- Interest from the tobacco settlement constitutional trust fund (\$6 million) – state Medicaid match
- Rebate income from drug manufacturers participating in the state prescription drug program for low-income persons (SB 324) - \$4 million
- Income tax check off state special revenue to support the end stage renal program - \$48,000

Federal funds include:

- Federal Medicaid matching funds (\$702 million over the biennium) – services and administrative costs
- CHIP federal matching funds (\$40 million over the biennium) – CHIP health services and administrative costs
- SAMHSA grant (\$3 million over the biennium) – federal Substance Abuse and Mental Health Services Administration grant to support development of children's system of care
- Maternal and Child Health Block Grant (\$2 million over the biennium) – federal funds for children's special health clinic services

Other Issues

Legislative staff raised an issue with timely response to requests for information during the budget analysis. Health Resources Division and legislative staff formulated a proposal to clarify that responses for mathematical documentation supporting fiscal publications or fiscal reports publicly disseminated by HRD would be provided with little delay. However, requests for information related to policies or questions of policy would require a longer response time.

The legislature also passed SB 93 clarifying when Medicaid expenditure reports were due to the Legislative Finance Committee for its review.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Each present law adjustment and new proposal will be discussed in the subprogram or function budget for this division. HRD functions are Medicaid services, children's health resources, children's mental health services, low-income prescription drug services, and Medicaid waiver health insurance premium assistance for low-income workers of small employers.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				332,348					330,989
Vacancy Savings				(104,962)					(104,910)
Inflation/Deflation				(2,324)					(2,286)
Fixed Costs				12,965					13,918
Total Statewide Present Law Adjustments				\$238,027					\$237,711
DP 13 - Medicaid Caseload - Child and Adult Medicaid									
0.00	9,487,750	834,154	25,730,515	36,052,419	0.00	14,832,975	1,324,154	38,706,315	54,863,444
DP 14 - Medicaid Caseload - Medicare Buy-In Program									
0.00	938,495	0	2,265,655	3,204,150	0.00	1,424,855	0	3,337,362	4,762,217
DP 17 - Medicaid Caseload - Children's Mental Health									
0.00	1,083,037	0	2,614,596	3,697,633	0.00	1,290,572	0	3,022,836	4,313,408
DP 20 - Medicaid Caseload - Breast and Cervical Cancer									
0.00	174,109	0	680,205	854,314	0.00	256,827	0	971,423	1,228,250
DP 23 - FMAP Enhancement Adjustment-Child & Adult Medicaid									
0.00	7,504,153	0	(7,504,153)	0	0.00	7,504,153	0	(7,504,153)	0
DP 29 - FMAP Adjustment - Child and Adult Medicaid									
0.00	6,189,028	0	(6,189,028)	0	0.00	8,045,737	0	(8,045,737)	0
DP 57 - Transportation Contract Federal Rate Change									
0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 60 - Rural Health Clinics / Qualified Health Centers									
0.00	54,319	0	133,181	187,500	0.00	57,667	0	135,458	193,125
DP 67 - Foundation Contract / Acute Care									
0.00	8,112	0	19,888	28,000	0.00	8,361	0	19,639	28,000
DP 121 - Indian Health Services									
0.00	0	0	9,580,561	9,580,561	0.00	0	0	15,593,793	15,593,793
DP 122 - School Based Services									
0.00	0	0	7,507,268	7,507,268	0.00	0	0	8,457,993	8,457,993
DP 3401 - Medicaid Match - 1-149 Revenue									
0.00	0	1,323,210	0	1,323,210	0.00	0	1,346,732	0	1,346,732
DP 9999 - Statewide FTE Reduction									
0.00	(17,263)	0	0	(17,263)	0.00	(17,224)	0	0	(17,224)
Total Other Present Law Adjustments									
0.00	\$25,571,740	\$2,157,364	\$34,838,688	\$62,567,792	0.00	\$33,553,923	\$2,670,886	\$54,694,929	\$90,919,738
Grand Total All Present Law Adjustments				\$62,805,819					\$91,157,449

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 38 - Manage Medicaid Pharmacy Program										
11	1.00	(1,165,170)	0	(3,353,302)	(4,518,472)	1.00	(834,359)	0	(2,494,238)	(3,328,597)
DP 42 - Enhance Efficiency of Children's Mental Health Services										
11	5.00	(55,958)	0	(418,384)	(474,342)	5.00	(54,354)	0	(395,714)	(450,068)
DP 43 - Medicaid Cost Analysis										
11	2.00	(19,573)	0	(122,865)	(142,438)	2.00	(24,179)	0	(124,578)	(148,757)
DP 44 - Medicaid Passport Services										
11	2.00	(13,425)	0	(14,426)	(27,851)	2.00	(13,520)	0	(14,559)	(28,079)
DP 110 - Continuation of Hospital Provider Tax (Requires Legislation)										
11	0.00	0	11,504,525	27,560,392	39,064,917	0.00	0	13,171,367	30,733,189	43,904,556
DP 115 - Specialty Clinic Cost Recovery (Requires Legislation)										
11	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 146 - Develop System of Care for Children										
11	7.00	0	0	1,116,289	1,116,289	7.00	0	0	1,865,615	1,865,615
DP 3009 - Medicaid - Biennial										
11	0.00	0	601,571	1,452,473	2,054,044	0.00	0	0	0	0
DP 3192 - CHIP Enrollment to 10,900 Children Funding										
11	0.00	607,840	304,531	2,140,799	3,053,170	0.00	607,840	875,113	3,596,735	5,079,688
DP 3202 - Prescription Drug Program -- SB 324 (Restricted)										
11	0.00	0	6,000,000	0	6,000,000	0.00	0	8,750,000	0	8,750,000
DP 3206 - CHIP Expansion by 3,000 Children										
11	2.00	0	2,043,906	6,382,270	8,426,176	2.00	0	2,118,045	6,229,284	8,347,329
DP 3207 - Startup Funds for Prescription Drug Program (Biennial/Restricted)										
11	0.00	0	1,000,000	0	1,000,000	0.00	0	0	0	0
DP 3324 - Implement SB 324 - Staff and Operating Costs										
11	9.00	0	1,728,000	0	1,728,000	9.00	0	2,442,240	0	2,442,240
DP 3603 - Physician Rate Increase										
11	0.00	400,000	1,200,000	3,862,615	5,462,615	0.00	0	0	0	0
DP 3604 - Raise the Medicaid Asset Limit for Children										
11	0.00	0	0	0	0	0.00	0	0	5,847,754	5,847,754
DP 3605 - Additional Medicaid Management Staff										
11	5.00	0	0	(166,774)	(166,774)	5.00	0	0	(157,835)	(157,835)
DP 3606 - Children's Mental Health Provider Rate Increase										
11	0.00	0	875,000	2,112,368	2,987,368	0.00	0	0	0	0
DP 3609 - Income Tax Check Off - End Stage Renal										
11	0.00	0	24,000	0	24,000	0.00	0	24,000	0	24,000
DP 3667 - HRD -- Implement Provisions of HB 667										
11	1.00	0	12,830	12,830	25,660	1.00	0	21,744	2,349,937	2,371,681
DP 3700 - Nonhospital Provider Rate Increase, Dental Access										
11	0.00	858,952	858,952	5,410,263	7,128,167	0.00	0	2,253,872	5,094,061	7,347,933
DP 3701 - Cardiac and Pulmonary Rehabilitation										
11	0.00	0	56,465	136,314	192,779	0.00	0	120,750	282,826	403,576
DP 3702 - Flexible Funds for SED Waiver										
11	0.00	0	0	0	0	0.00	0	50,000	117,112	167,112
DP 3703 - Children's Special Health Care Clinic										
11	0.00	0	25,000	0	25,000	0.00	0	50,000	0	50,000
DP 3704 - EPSDT and Rate Increases										
11	0.00	0	272,717	658,376	931,093	0.00	0	551,350	1,291,397	1,842,747
DP 6010 - 2007 Biennium Pay Plan - IIB 447										
11	0.00	38,725	4,096	62,869	105,690	0.00	99,170	10,937	163,300	273,407
Total	34.00	\$651,391	\$26,711,593	\$46,832,107	\$74,195,091	34.00	(\$219,402)	\$30,639,418	\$54,384,286	\$84,804,302

Language

The legislature approved the following language for inclusion in HB 2. The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"Health Resources Division includes more than \$80 million annually in general fund money and federal special revenue for medicaid prescription drug costs. Effective January 1, 2006, with implementation of the medicare prescription drug benefit, medicaid prescription costs will decline at least 50%. Funds appropriated for medicaid prescription drug costs that would have been paid absent the medicare benefit may be used for the clawback payment to the federal government, for administrative costs to determine eligibility for the medicare low-income prescription discount and to manage appeals

and grievances related to the medicare prescription drug plan, and to update computer systems and implement federally required electronic transactions for the medicare prescription drug plan. *The department shall report to the legislative finance committee by September 1, 2005, and every 3 months thereafter on its plan to implement administrative duties related to the new medicare prescription drug benefit, progress in accomplishing major milestones in the plan, the costs that it has incurred, and other issues that it considers important.*

Health Resources Division includes \$326,000 in general fund money and federal special revenue over the biennium to contract for review and approval of certain medicaid expenditures. *The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter the types of reviews and outcomes because of this contract. The report must specifically include information on admissions to out-of-state hospitals.*

Health Resources Division includes funds to hire 2 FTE to perform analysis of the medicaid program to identify cost-saving measures. *The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter the types of reviews and outcomes because of the activities of the FTE.*

Health Resources Division includes funding for 2 FTE to manage and evaluate the passport to health program. *The department shall report to the legislative finance committee by September 1, 2005, and every six months thereafter the types of reviews and outcomes because of the activities of the FTE.*

Health Resources Division includes funding to support a contract for low-income medicaid recipients to call a "nurse first" line to help determine appropriate medical treatment. *The department shall report to the legislative finance committee by January 1, 2006, on whether this contract could be expanded to include the children's health insurance program and if cost-savings would be generated because of such an expansion.*

Physician Rate Increase may be used only to raise physician medicaid reimbursement closer to 95% of the medicare payment rate.

Item Additional Medicaid Management Staff may be used only for staff and operating costs. The funds may be used only to expand the team care program and for staff and operating costs for the physician, hospital, pharmacy, and passport medicaid programs. Funding for Additional Medicaid Management Staff must also be used to produce efficiencies and better access to the appropriate level of medical care. *The department shall prepare a report explaining the results of these expansions and projects by September 1, 2006, for the legislative finance committee.*

The direct-care wage increase for Children's Mental Health Rate Increase must be implemented no later than October 1, 2005."

Medicaid Services Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	29.00	0.00	10.00	39.00	0.00	10.00	39.00	39.00
Personal Services	1,343,699	97,106	620,846	2,061,651	97,387	787,085	2,228,171	4,289,822
Operating Expenses	3,836,117	3,760,028	535,040	8,131,185	3,760,382	547,200	8,143,699	16,274,884
Grants	19	0	0	19	0	0	19	38
Benefits & Claims	271,153,618	55,109,422	48,951,884	375,214,924	82,845,554	54,646,420	408,645,592	783,860,516
Total Costs	\$276,333,453	\$58,966,556	\$50,107,770	\$385,407,779	\$86,703,323	\$55,980,705	\$419,017,481	\$804,425,260
General Fund	58,402,303	24,537,060	99,509	83,038,872	32,313,382	(772,888)	89,942,797	172,981,669
State/Other Special	2,538,201	2,157,603	14,522,326	19,218,130	2,670,886	16,132,276	21,341,363	40,559,493
Federal Special	215,392,949	32,271,893	35,485,935	283,150,777	51,719,055	40,621,317	307,733,321	590,884,098
Total Funds	\$276,333,453	\$58,966,556	\$50,107,770	\$385,407,779	\$86,703,323	\$55,980,705	\$419,017,481	\$804,425,260

Medicaid Services Appropriation

The Medicaid services function administers Medicaid state plan services, which are those that most closely resemble traditional health plan services, including inpatient and outpatient hospital, prescription drugs, physician, dental, durable medical equipment, and vision services. So, persons accessing Medicaid services in other divisions, such as nursing home or community services administered by Senior and Long-Term Care and Disability Services Division, are also eligible for services administered by HRD.

The 2007 biennium appropriation in HB 2 grows about \$253 million total funds (including \$56 million general fund) compared to the fiscal 2004 base budget expenditures. The primary changes are:

- Medicaid caseload and service utilization changes - \$136 million total funds (\$24 million general fund)
- State Medicaid match rate changes – increase general fund \$29 million with an offsetting decrease in federal funds
- Continuation of hospital utilization fee to draw down federal matching funds - \$83 million total funds
- Pharmacy program changes expected to reduce Medicaid costs by \$9 million total funds including \$3 million general fund
- Funding for 10.00 new FTE to:
 - Analyze Medicaid program expenditures to reduce costs
 - Manage the PASSPORT Program, which establishes a primary care doctor to help manage services for clients
 - Assist in management of several cost saving measures of the Medicaid pharmacy program
- HB 552 appropriates about \$2 million in tobacco state special revenue from I-149 to fund the expansion in Medicaid eligibility for children

Figure 32 shows each appropriation change adopted by the legislature for Medicaid state plan services. Figure 32 includes HB 2 and HB 552 appropriations, and also includes expenditures for hospital bed tax fee that were removed from the FY 2004 base budget. These changes were made so that expenditure trends would be more accurate. However, the totals shown in Figure 32 will not match the totals shown in the program table for Medicaid services due to the changes.

Figure 32

Health Resources Division 2007 Biennium Medicaid Appropriation by Component, Purpose, and Total

Medicaid Services Present Law and New Proposals	FY 2006				FY 2007				% of Change
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
Hospital Services*									
FY 2004 Base Budget*	\$25,847,345	\$8,067,120	\$93,422,652	\$127,337,117	\$25,847,345	\$8,067,120	\$93,422,652	\$127,337,117	
PL 13 - Caseload Change	1,325,663	884,154	6,056,466	8,266,283	2,170,424	1,374,154	9,028,533	12,573,110	11%
PL 24 - Enhanced Federal Match Rate	2,961,959	0	(2,961,959)	0	2,961,959	0	(2,961,959)	0	0%
PL 30 - FMAP Adj. - 2007 Biennium	2,746,667	0	(2,746,667)	0	3,520,792	0	(3,520,792)	0	0%
NP 60 - Rural Health Clinics	54,319	0	132,581	187,500	56,566	0	136,559	193,125	0%
NP 110 - Continue Hospital Tax (SB 120)	0	4,331,954	10,457,920	14,789,874	0	5,998,796	14,050,656	20,049,452	18%
NP 3009 - Med Biennual	0	601,571	1,452,473	2,054,044	0	0	0	0	0%
NP 3605 - Additional Medicaid Staff	(117,934)	0	(284,709)	(402,643)	(117,590)	0	(275,425)	(393,015)	0%
NP 3701 - Cardiac Pulmonary Rehab	0	56,465	136,314	192,779	0	120,750	282,826	403,576	0%
NP 3704 - EPSDT and Rate Increases	0	272,717	658,376	931,093	0	551,350	1,291,392	1,842,747	22%
Subtotal Appropriation Changes	\$6,970,674	\$6,146,861	\$12,900,795	\$26,018,930	\$8,592,150	\$8,045,050	\$18,031,795	\$34,668,995	31%
Total Hospital Appropriation	\$32,818,019	\$14,213,981	\$106,323,448	\$153,356,047	\$34,439,495	\$16,112,170	\$111,454,447	\$162,006,112	
Percent Increase Over Base Budget	27%	76%	14%	20%	33%	100%	19%	27%	
Pharmacy Services									
FY 2004 Base Budget	\$17,018,984	\$0	\$64,396,977	\$81,415,961	\$17,018,984	\$0	\$64,396,977	\$81,415,961	
PL 13 - Caseload Change	5,762,546	0	13,911,561	19,674,107	8,990,945	0	21,059,004	30,049,949	27%
DP 27 - Enhanced Federal Match Rate	2,401,771	0	(2,401,771)	0	2,401,771	0	(2,401,771)	0	0%
DP 23 - FMAP Adj. - 2007 Biennium	2,227,171	0	(2,227,171)	0	2,854,713	0	(2,854,713)	0	0%
NP 38 - Manage Medicaid Pharmacy Program	(1,538,629)	0	(3,714,459)	(5,253,088)	(1,221,128)	0	(2,860,183)	(4,081,311)	-4%
Subtotal Appropriation Changes	\$8,852,858	\$0	\$5,568,161	\$14,421,019	\$13,026,300	\$0	\$12,942,338	\$25,968,638	23%
Total Pharmacy Appropriation	\$25,871,842	\$0	\$69,965,138	\$95,836,981	\$30,045,284	\$0	\$77,339,316	\$107,384,600	
Percent Increase Over Base Budget	52%	0%	9%	18%	77%	0%	20%	32%	
Acute Services									
FY 2004 Base Budget	\$4,871,238	\$0	\$15,021,851	\$19,893,089	\$4,871,238	\$0	\$15,021,851	\$19,893,089	
PL 13 - Caseload Change	664,141	0	1,603,326	2,267,467	1,038,794	0	2,433,112	3,471,906	3%
DP 27 - Enhanced Federal Match Rate	586,846	0	(586,846)	0	586,846	0	(586,846)	0	0%
DP 23 - FMAP Adj. - 2007 Biennium	544,191	0	(544,191)	0	697,567	0	(697,567)	0	0%
PL 122 - School Based Services	0	0	3,907,268	3,907,268	0	0	4,857,993	4,857,993	4%
NP 43 - Medicaid Cost Analysis	(73,225)	0	(176,775)	(250,000)	(74,800)	0	(175,200)	(250,000)	0%
NP 3604 - Physician Rate Increase	400,000	1,200,000	3,862,615	5,462,615	0	0	0	0	0%
NP 3605 - Raise Medicaid Asset Limit for Children (HB 552 SSR Appropriation Shown)*	0	0	0	0	0	1,876,316	5,847,754	7,724,070	7%
NP 3700 - Nonhospital Provider Rate Increase	858,952	858,952	5,410,263	7,128,167	0	2,253,872	5,094,061	7,347,933	7%
Subtotal Appropriation Changes	\$2,980,905	\$2,058,952	\$13,475,660	\$18,515,517	\$2,248,407	\$4,130,188	\$16,773,307	\$23,151,902	21%
Total Acute Services Appropriation	\$7,852,143	\$2,058,952	\$28,497,511	\$38,408,606	\$7,119,645	\$4,130,188	\$31,795,158	\$43,044,991	
Percent Increase Over Base Budget	61%	0%	90%	93%	46%	0%	112%	116%	
Managed Care Services									
FY 2004 Base Budget	\$5,114,476	\$0	\$21,766,591	\$26,881,067	\$5,114,476	\$0	\$21,766,591	\$26,881,067	
PL 13 - Caseload Change	1,735,400	0	4,189,488	5,924,888	1,735,400	0	4,189,488	5,924,888	5%
DP 27 - Enhanced Federal Match Rate	792,991	0	(792,991)	0	792,991	0	(792,991)	0	0%
DP 23 - FMAP Adj. - 2007 Biennium	735,352	0	(735,352)	0	942,605	0	(942,605)	0	0%
PL 3401 - Medicaid Match - 1-149	0	1,323,210	0	1,323,210	0	1,346,732	0	1,346,732	1%
Subtotal Appropriation Changes	\$3,263,744	\$1,323,210	\$2,661,144	\$7,248,098	\$3,470,997	\$1,346,732	\$2,453,891	\$7,271,620	6%
Total Managed Care Appropriation	\$8,378,220	\$1,323,210	\$24,427,735	\$34,129,165	\$8,585,473	\$1,346,732	\$24,220,482	\$34,152,687	
Percent Increase Over Base Budget	64%	n/a	12%	27%	68%	n/a	11%	27%	
Medicare Buy-In									
FY 2004 Base Budget	\$2,949,965	\$0	\$9,295,635	\$12,245,600	\$2,949,965	\$0	\$9,295,635	\$12,245,600	
PL 14 - Caseload Change	938,495	0	2,265,655	3,204,150	1,424,844	0	3,337,362	4,762,206	4%
DP 27 - Enhanced Federal Match Rate	361,245	0	(361,245)	0	361,245	0	(361,245)	0	0%
DP 23 - FMAP Adj. - 2007 Biennium	334,988	0	(334,988)	0	429,401	0	(429,401)	0	0%
Subtotal Appropriation Changes	\$1,634,728	\$0	\$1,569,422	\$3,204,150	\$2,215,491	\$0	\$2,546,715	\$4,762,206	4%
Total Medicare Buy-In Approp.	\$4,584,693	\$0	\$10,865,057	\$15,449,750	\$5,165,456	\$0	\$11,842,350	\$17,007,806	
Percent Increase Over Base Budget	-45%	0%	-83%	-74%	-25%	0%	-73%	-61%	
Breast and Cervical Cancer									
FY 2004 Base Budget	\$297,774	\$0	\$1,269,896	\$1,567,670	\$297,774	\$0	\$1,269,896	\$1,567,670	
PL 20 - Caseload Change	174,109	0	680,205	854,314	256,827	0	971,423	1,228,250	1%
Total Breast/Cervical Cancer Approp.	\$471,883	\$0	\$1,950,101	\$2,421,984	\$554,601	\$0	\$2,241,319	\$2,795,920	
Percent Increase Over Base Budget	58%	0%	54%	54%	86%	0%	76%	78%	
Indian Health Services (IHS)									
FY 2004 Base Budget	\$0	\$0	\$26,652,410	\$26,652,410	\$0	\$0	\$26,652,410	\$26,652,410	
PL 121 - Caseload Change	0	0	2,580,561	2,580,561	0	0	15,593,793	15,593,793	14%
Total Indian Health Services Approp.	\$0	\$0	\$26,232,971	\$26,232,971	\$0	\$0	\$42,246,203	\$42,246,203	
Percent Increase Over Base Budget	0%	0%	36%	36%	0%	0%	59%	59%	
Appropriation Summary									
Grand Total Base Year Budget	\$56,099,782	\$8,067,120	\$231,826,013	\$295,992,915	\$56,099,782	\$8,067,120	\$231,826,013	\$295,992,915	
Present Law Adjustments - Caseload	10,654,673	2,808,935	43,779,584	57,243,792	15,673,800	2,720,886	61,607,266	80,001,952	71%
Federal Match Changes	13,693,181	0	(13,693,181)	0	15,549,890	0	(15,549,890)	0	0%
Provider Rate Increases	1,258,952	6,663,623	20,389,174	28,311,749	0	8,804,018	20,436,114	29,240,132	26%
Innovatives to Reduce Costs	(1,729,789)	0	(4,175,942)	(5,905,731)	(1,413,518)	0	(3,310,808)	(4,724,326)	-4%
Service Expansions	0	56,465	136,314	192,779	0	1,997,066	6,130,580	8,127,646	7%
Subtotal Appropriation Changes	\$23,877,018	\$9,529,023	\$46,435,948	\$79,842,589	\$29,810,171	\$13,521,970	\$69,313,263	\$112,645,404	100%
Grand Total Annual Appropriation	\$79,976,800	\$17,596,143	\$278,261,961	\$375,835,503	\$85,909,953	\$21,589,090	\$301,139,275	\$408,638,319	

Hospital services receive 30 percent of the appropriations for Medicaid state plan services, followed by pharmacy at 20 percent, and children’s mental health services at 12 percent. The balance of services listed in Figure 32 account for less than 10 percent each.

The single largest increase for hospital services is due to continuation of the hospital daily bed tax, which is used to increase rates paid to hospitals. The base budget for hospital services shown in Figure 32 includes \$28 million total funds (\$7 million state special revenue) that were removed from the base budget. Those amounts represent the hospital bed fee that was enacted as a one-time-only appropriation by the 2003 legislature. Since the bed tax was extended, it is included in Figure 32 for a more realistic comparison of biennial increases. The extension of the bed tax, authorized in SB 120, adds \$35 million over FY 2004 base expenditures for Medicaid hospital services, and accounts for 18 percent of the total appropriation change for Medicaid state plan services in FY 2007.

The amount shown for acute services in Figure 32 includes the tobacco state special revenue appropriated in HB 552 to fund the state matching funds to raise the family asset limit for Medicaid eligibility for children from \$3,000 to \$15,000. An additional 3,775 children are expected to receive health services through Medicaid due to passage of HB 552.

The legislature approved a \$191 million biennial increase for Medicaid services administered by Health Resources Division, including \$54 million general fund and \$23 million state special revenue when all major appropriations are added together. This change represents a 27 percent increase in FY 2006 above base level expenditures and a 38 percent increase in FY 2007. General fund changes are even greater due to the reduction in federal Medicaid match rates, increasing 43 percent and 53 percent respectively.

Present law adjustments for growth in the number of eligible persons and service utilization and inflation in pharmacy costs adds about \$136 million above the base budget expenditures or 71 percent of the FY 2007 increase. Provider rate increases add \$58 million or 26 percent of the FY 2007 increase. The growth in provider rate appropriations would be higher if the hospital base included only HB 2 appropriations and was not adjusted for FY 2004 hospital bed tax related expenditures in FY 2004.

Service expansions to increase the number of children eligible for Medicaid, and to add cardiac and pulmonary rehabilitation as a service, total about \$8 million in FY 2007 and will be double that amount when expenditures are annualized for the 2009 biennium base budget.

Initiatives to reduce costs lower expenditures about \$11 million total funds (\$3 million general fund) over the biennium. Figure 32 does not include any savings that might be allocated from the \$500,000 general fund reduction in Medicaid costs that was included in the Director’s Office appropriation.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				175,119					175,375	
Vacancy Savings				(60,750)					(60,764)	
Inflation/Deflation				(1,504)					(1,491)	
Fixed Costs				(16,468)					(16,127)	
Total Statewide Present Law Adjustments				\$96,397					\$96,993	
DP 13 - Medicaid Caseload - Child and Adult Medicaid										
0.00	9,487,750	834,154	25,730,515	36,052,419	0.00	14,832,975	1,324,154	38,706,315	54,863,444	
DP 14 - Medicaid Caseload - Medicare Buy-In Program										
0.00	938,495	0	2,265,655	3,204,150	0.00	1,424,855	0	3,337,362	4,762,217	
DP 20 - Medicaid Caseload - Breast and Cervical Cancer										
0.00	174,109	0	680,205	854,314	0.00	256,827	0	971,423	1,228,250	
DP 23 - FMAP Enhancement Adjustment-Child & Adult Medicaid										
0.00	7,504,153	0	(7,504,153)	0	0.00	7,504,153	0	(7,504,153)	0	
DP 29 - FMAP Adjustment - Child and Adult Medicaid										
0.00	6,189,028	0	(6,189,028)	0	0.00	8,045,737	0	(8,045,737)	0	
DP 57 - Transportation Contract Federal Rate Change										
0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000	
DP 60 - Rural Health Clinics / Qualified Health Centers										
0.00	54,319	0	133,181	187,500	0.00	57,667	0	135,458	193,125	
DP 67 - Foundation Contract / Acute Care										
0.00	8,112	0	19,888	28,000	0.00	8,361	0	19,639	28,000	
DP 121 - Indian Health Services										
0.00	0	0	9,580,561	9,580,561	0.00	0	0	15,593,793	15,593,793	
DP 122 - School Based Services										
0.00	0	0	7,507,268	7,507,268	0.00	0	0	8,457,993	8,457,993	
DP 3401 - Medicaid Match - 1-149 Revenue										
0.00	0	1,323,210	0	1,323,210	0.00	0	1,346,732	0	1,346,732	
DP 9999 - Statewide FTE Reduction										
0.00	(17,263)	0	0	(17,263)	0.00	(17,224)	0	0	(17,224)	
Total Other Present Law Adjustments										
0.00	\$24,488,703	\$2,157,364	\$32,224,092	\$58,870,159	0.00	\$32,263,351	\$2,670,886	\$51,672,093	\$86,606,330	
Grand Total All Present Law Adjustments				\$58,966,556					\$86,703,323	

DP 13 - Medicaid Caseload - Child and Adult Medicaid - The legislature added \$91 million total funds, including \$24 million in general fund, over the biennium for Medicaid caseload growth and changes in service utilization. Costs are estimated to grow by slightly less than 6 percent per year. The caseload changes are considered a present law adjustment since these Medicaid services are an entitlement – meaning that all persons eligible for services must be provided medically necessary services.

DPHHS uses a complex set of projections from several sources to estimate these changes. Statistics and trends relating to monthly eligibility, type of provider, number of services, cost per service, and health care inflation are taken into account in the projections. This adjustment includes only projected changes in the eligible population, and changes in the acuity level of the eligible population.

DP 14 - Medicaid Caseload - Medicare Buy-In Program - The legislature approved the executive request for \$8.0 million over the biennium with \$2.4 million general fund to pay expected increases in premiums for Medicare Part A and Part B and in the number of persons eligible for coverage. The Medicare buy-in program allows state Medicaid programs to purchase Medicare coverage through premium payments for Medicaid recipients who are dually eligible for Medicare and Medicaid. Medicare then covers the cost of most services for the individual with no further Medicaid liability. Medicaid would only be liable for the costs of non-Medicare covered services, and for co-insurance and deductibles related to services utilized.

This appropriation does not include any increases due to outreach for the new Medicare Part D prescription drug program, which is expected to identify and add persons eligible for the Buy-In, but not enrolled.

DP 20 - Medicaid Caseload - Breast and Cervical Cancer - The legislature accepted the executive request to add \$2

million for the biennium including \$0.4 million general fund to provide continued funding for Medicaid expenditures related to the breast and cervical cancer treatment program for those individuals determined to be Medicaid eligible.

DP 23 - FMAP Enhancement Adjustment-Child & Adult Medicaid - The federal Medicaid match rate was raised temporarily by 2.95 percent in FY 2004 as part of federal fiscal relief for states. This proposal adds \$15 million general fund and reduces federal funds by a like amount to reflect the fiscal impact and loss of the temporary reduction.

DP 29 - FMAP Adjustment - Child and Adult Medicaid - This adjustment adds \$13 million general fund and reduces federal funds by a like amount to reflect the annual changes in federal Medicaid match rates that will occur during the 2007 biennium. The federal match rate for each state is determined by changes in the per capita income of a state compared to national per capita income. This fund switch supports the level of Medicaid expenditures in FY 2004 only, while DP 13 includes the match rate change for caseload and service utilization growth as a part of the caseload changes for the 2007 biennium.

DP 57 - Transportation Contract Federal Rate Change - The legislature appropriated \$0.3 million general fund due to a recent federal rule change made by the Center for Medicare and Medicaid Services (CMS). The federal matching rate, for the transportation utilization contract was reduced from 75 to 50 percent. The contract controls costs in the transportation program by ensuring that clients are utilizing medical services closest to their home and that the client attended the medical appointment. This change adjusts current level expenditures for the new match rate.

DP 60 - Rural Health Clinics / Qualified Health Centers - The legislature accepted the executive request to add \$0.4 million, including \$0.1 million general fund, to pay for Medicaid services provided by Rural Health Clinics and Federally Qualified Health Centers. These centers provide services funded by Medicaid. These facilities are paid an all-inclusive prospective payment amount per patient visit. The per visit payment amounts are required to be increased each year by the Medicare Economic Index due to the federal Benefit Improvement and Protection Act.

DP 67 - Foundation Contract / Acute Care - The legislature accepted the executive request to add \$28,000 per year to reissue a contract for utilization review services, funded 25 percent general fund and 75 percent federal funds. The additional amount covers an increase in the number of non-emergent hospital emergency department claims that would be reviewed and an increase in the number of cases being sent to peer review. The current contract duties include:

- Review of out-of-state inpatient hospital admissions - it is the intent of the Montana Medicaid program to require Medicaid recipients to utilize services available within the State of Montana when it is medically appropriate
- Review of in-state inpatient rehabilitation admissions – DPHHS requires prior authorization (PA) and continued stay reviews for these services to avoid reimbursement of services not requiring acute inpatient care
- Prior authorization of transplant services – Prior authorization is required on all transplant services for children and for the four services covered for adults
- Retrospective review to determine appropriateness of treatment
- Management of high cost cases
- Medical consultation support
- Coordination of activity with the transportation authorization contractor

DP 121 - Indian Health Services - The legislature appropriated \$25 million in federal funds for Indian Health Services caseload and the federal rate increases for the Medicaid Indian Health Services program, which is 100 percent federally funded. The Montana Indian Health Services is making a concerted effort to identify all Medicaid eligible persons who are also Indian Health Services recipients and to bill appropriately for services. Accordingly, this program has had substantial growth in the past and is expected to continue to grow through the next biennium.

The legislative initiative (DP 3602 – Tribal Programs in the Director's Office) adds funding for 1.00 FTE to assist tribes in accessing federal Medicaid pass through funding to help support Indian Health Services.

DP 122 - School Based Services - The legislature added \$16 million in federal authority for the Medicaid school-based services contract. Montana schools are providing services that are eligible for federal Medicaid reimbursement and have a potential for receiving a reimbursement of \$7 to \$10 million in covered Medicaid services. FY 2004 base expenditures were \$6 million.

DP 3401 - Medicaid Match - I-149 Revenue - The legislature accepted the executive recommendation to use \$2.6 million in tobacco settlement state special revenue funds over the biennium for Medicaid matching funds. Federal matching funds of \$4 million are also appropriated.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive proposal to reduce personal services funding equivalent to the reduction taken in the 2003 legislative session, but did not remove 0.75 FTE as included in the executive budget. An additional \$34,000 general fund in vacancy savings was applied over the biennium.

New Proposals

New Proposals										
Sub Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 38 - Manage Medicaid Pharmacy Program										
01	1.00	(1,165,170)	0	(3,353,302)	(4,518,472)	1.00	(834,359)	0	(2,494,238)	(3,328,597)
DP 43 - Medicaid Cost Analysis										
01	2.00	(19,573)	0	(122,865)	(142,438)	2.00	(24,179)	0	(124,578)	(148,757)
DP 44 - Medicaid Passport Services										
01	2.00	(13,425)	0	(14,426)	(27,851)	2.00	(13,520)	0	(14,559)	(28,079)
DP 110 - Continuation of Hospital Provider Tax (Requires Legislation)										
01	0.00	0	11,504,525	27,560,392	39,064,917	0.00	0	13,171,367	30,733,189	43,904,556
DP 3009 - Medicaid - Biennial										
01	0.00	0	601,571	1,452,473	2,054,044	0.00	0	0	0	0
DP 3603 - Physician Rate Increase										
01	0.00	400,000	1,200,000	3,862,615	5,462,615	0.00	0	0	0	0
DP 3604 - Raise the Medicaid Asset Limit for Children										
01	0.00	0	0	0	0	0.00	0	0	5,847,754	5,847,754
DP 3605 - Additional Medicaid Management Staff										
01	5.00	0	0	(166,774)	(166,774)	5.00	0	0	(157,835)	(157,835)
DP 3609 - Income Tax Check Off - End Stage Renal										
01	0.00	0	24,000	0	24,000	0.00	0	24,000	0	24,000
DP 3700 - Nonhospital Provider Rate Increase, Dental Access										
01	0.00	858,952	858,952	5,410,263	7,128,167	0.00	0	2,253,872	5,094,061	7,347,933
DP 3701 - Cardiac and Pulmonary Rehabilitation										
01	0.00	0	56,465	136,314	192,779	0.00	0	120,750	282,826	403,576
DP 3704 - EPSDT and Rate Increases										
01	0.00	0	272,717	658,376	931,093	0.00	0	551,350	1,291,397	1,842,747
DP 6010 - 2007 Biennium Pay Plan - HB 447										
01	0.00	38,725	4,096	62,869	105,690	0.00	99,170	10,937	163,300	273,407
Total	10.00	\$99,509	\$14,522,326	\$35,485,935	\$50,107,770	10.00	(\$772,888)	\$16,132,276	\$40,621,317	\$55,980,705

DP 38 - Manage Medicaid Pharmacy Program - The legislature added funds to support 1.00 new FTE and offset administrative costs with savings of nearly \$2 million in general fund and \$8 million in total funds. This proposal will provide for the implementation, monitoring, and management of the Medicare "clawback" provision, the utilization of prescription drugs, the preferred drug list program, and the pharmacy audit review. The clawback provision and changes in drug coverage due to the Medicare Modernization Act are discussed in greater detail in the DPHHS overview.

This appropriation will also fund contract increases to hire an additional 0.50 FTE pharmacist to ensure Medicaid recipients are using prescription drugs appropriately. The current contract supports 0.50 FTE to perform the pharmacy case management program. The program has been functional since October 2003 and through June 2004; the total projected annualized cost savings are \$449,038 for FY 2004. Due to several months of start-up, the annualized savings are projected to be \$697,000 in total funds. By hiring a new 0.50 pharmacist, the HRD estimates it could double the annual estimated savings.

This appropriation will also permanently fund the 1.00 FTE modified position to administer the preferred drug list (PDL) to reduce the growth rate of the Medicaid Pharmacy program.

DP 43 - Medicaid Cost Analysis - The legislature funded 2.00 new FTE that are currently in modified, off budget positions. The FTE were hired to perform functions previously provided through a private contractor and contracted expenses were reduced.

These positions will perform selected analysis of Medicaid claims to identify areas where efficiencies can be made and services improved. For instance, the FTE will review emergency room utilization to determine whether persons should have been treated in a different setting and how to get persons to access more appropriate, less costly services.

DP 44 - Medicaid Passport Services - The legislature added funds for 2.00 FTE that are currently in modified, off budget positions. These positions are responsible for quality assurance and utilization review activities designed to maintain and improve medical access and quality of care through the Medicaid Passport program. HRD is estimating biennial savings of \$26,945 general fund and \$55,930 total funds due to this change. DPHHS hired staff to replace a contracted function at an estimated savings of \$27,000 general fund and \$29,000 federal funds over the 2007 biennium.

DP 110 - Continuation of Hospital Provider Tax - The legislature appropriated \$25 million state special revenue and \$58 million federal authority over the biennium to continue the daily utilization fee paid by all hospitals and the increased payments to hospitals providing Medicaid services. This tax assesses hospitals a fee per inpatient day. The state in turn uses the fee income to match with federal Medicaid funds to increase hospital Medicaid reimbursements.

The utilization fee collected from the hospitals is estimated to be \$11.5 million for FY 2006 and \$13 million for FY 2007, which is matched with federal funds to produce additional hospital Medicaid payments of \$39 million for FY 2006 and \$44 million for FY 2007. The 2003 Legislature initiated and funded this program through HB 481, which terminates on June 30, 2005. Continuation of the fee was authorized by SB 120.

Hospital bed fees were removed from the FY 2004 base budget. Fee income of \$7 million was removed, along with federal matching funds of about \$21 million. Figure 32 includes the amount of hospital bed fee income and federal Medicaid matching funds that were removed from the base budget to illustrate the incremental increase in the 2007 biennium.

DP 3009 - Medicaid - Biennial - The legislature accepted the executive recommendation to use \$601,571 in I-149 tobacco tax state special revenue over the biennium to continue Medicaid services at the level of the 2005 biennium. During the 2005 biennium, these services were funded through a one-time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485). Federal matching funds of \$1.5 million are also included in the appropriation.

DP 3603 - Physician Rate Increase - The legislature added \$5.5 million total funds, \$1.2 million tobacco state special revenue (I-149) and \$0.4 million general fund over the biennium to bring Medicaid rates for physician services up to 85 percent of the rate paid by Medicare. The legislature also added a condition that the rate increase be implemented by July 15, 2005, in order for the department to use its appropriations for several large divisions within DPHHS, including the Health Resources Division.

DP 3604 - Raise the Medicaid Asset Limit for Children - The legislature added \$1.9 million I-149 tobacco tax state special revenue and \$4.6 million federal funds over the biennium to change the Medicaid asset test for children contingent on passage and approval of HB 552, which raises the asset limit from \$3,000 to \$15,000 for a family. Medicaid has both a financial eligibility component and an asset component. Examples of assets that are included in Medicaid eligibility determination are: vehicles, boats, checking and savings account balances, burial policies, and tools. The appropriation is contingent on meeting the expenditure limitation in 17-8-106, MCA. HB 552 also contains an appropriation for implementation of \$1.9 million in I-149 tobacco tax state special revenue.

DP 3605 - Additional Medicaid Management Staff - The legislature added 5.00 FTE to expand Medicaid program management and oversight. Increases in operating costs (about \$470,000 over the biennium) are offset by service cost containment, netting to no overall increase in general fund costs and a reduction of about \$320,000 in federal funds. The legislature also requested that the department report to the members of the 2005 legislative Joint Appropriations Subcommittee on Health and Human Services about the projects undertaken by these FTE and estimated cost savings, efficiencies, and program enhancements.

The addition of these management/analyst staff were one of the reasons that the legislature reduced Medicaid general fund appropriations across the department by \$500,000 in FY 2007. The reduction is included in the Director's Office, with language specifying that the reduction may be allocated across all Medicaid programs as cost efficiencies, care improvements, and other innovations are applied.

DP 3609 - Income Tax Check Off - End Stage Renal - The legislature added \$24,000 per year for the end stage renal income tax program check off due to passage and approval of SB 85.

DP 3700 - Nonhospital Provider Rate Increase, Dental Access - The legislature approved the executive request for several provider rate increases and funds to increase access to dental services. The provider rate increases funded in this decision package are:

- o Physician rate increases
- o Children's mental health rate increase - 6 percent
- o Maternity rate increase
- o Neonatal services (to be paid at cost)

Appropriations also include funds to contract directly with dentists, potentially through Federally Qualified Health Centers, to provide dental services to Medicaid clients.

DP 3701 - Cardiac and Pulmonary Rehabilitation - The legislature accepted the executive proposal to add state special revenue from I-149 tobacco funds as Medicaid match to fund cardiac and pulmonary rehabilitation services. The legislature reduced the appropriation and delayed implementation until January 1, 2006. The legislature approved about \$200,000 in state matching funds and about \$400,000 in federal Medicaid matching funds over the biennium.

DP 3704 - EPSDT and Rate Increases - The legislature accepted the executive proposal to use I-149 funds as state Medicaid match to increase EPSDT (Early Periodic Screening, Diagnosis, and Treatment) for children and to provide rate increases for hospitals and ambulatory surgical centers. The legislature delayed implementation of the expansions until January 1, 2006. The total appropriation for these initiatives is about \$900,000 state special revenue over the biennium and about \$1.8 million in federal matching funds.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan.

Children's Health Care Resources Legislative Budget

The following table summarizes the legislative budget proposal for this function by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	18.00	0.00	2.00	20.00	0.00	2.00	20.00	20.00
Personal Services	797,195	(415)	80,673	877,453	(1,788)	80,456	875,863	1,753,316
Operating Expenses	983,679	28,678	225,000	1,237,357	29,312	250,000	1,262,991	2,500,348
Benefits & Claims	15,671,951	0	11,398,673	27,070,624	0	13,346,561	29,018,512	56,089,136
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$17,455,107	\$28,263	\$11,704,346	\$29,187,716	\$27,524	\$13,677,017	\$31,159,648	\$60,347,364
General Fund	493,360	0	607,840	1,101,200	0	607,840	1,101,200	2,202,400
State/Other Special	2,656,626	5,651	2,573,437	5,235,714	5,520	3,243,158	5,905,304	11,141,018
Federal Special	14,305,121	22,612	8,523,069	22,850,802	22,004	9,826,019	24,153,144	47,003,946
Total Funds	\$17,455,107	\$28,263	\$11,704,346	\$29,187,716	\$27,524	\$13,677,017	\$31,159,648	\$60,347,364

Children's Health Resources

Children's health resources administers the CHIP program and Children's Special Health Services, which provides a series of special health clinics that treat children with facial anomalies such as cleft palate and children with metabolic diseases. Teams of medical specialists travel to different Montana locations where children and families can participate in the clinic. Funds that remain after clinic expenses have been paid are used for financial assistance to families for payment of medical bills.

The 2007 biennium appropriation is about \$25 million over FY 2004 base budget expenditures, with most of the growth in new proposals. Present law adjustments are limited to the statewide adjustments made to all appropriations - annualization of the FY 2005 pay plan increase and fixed cost adjustments. New proposals add:

- \$8 million in total funds (\$1 million in general fund) to maintain CHIP enrollment at 10,900
 - A portion of FY 2004 CHIP matching costs were paid from a one-time allocation of general fund that was freed up due to federal fiscal relief and authorized by the Governor and a portion of FY 2005 costs were paid from reappropriation of reverted general fund (per 17-7-304(4), MCA)
- \$17 million in total funds (\$4 million in state special revenue) to increase annual enrollment in CHIP to 13,900 children
- \$0.4 million in state special revenue payments from insurance and co-payments from parents whose children participate in the children's specialty health clinics
- \$0.1 million in tobacco tax state special revenue from I-149 to add another specialty health clinic

The legislature added funds for 2.00 new FTE to administer the CHIP expansion. Language in HB requires that the level of funding allocated to support the FTE must be proportional to the increase in enrollment. For instance, since the legislature based appropriations on an expected enrollment increase of 3,000 children but the increase was only 1,500 children, then only half of the funding could be allocated and 1.00 new FTE carried forward in the FY 2006 base budget.

Administration of CHIP Program

Legislative staff raised an issue for consideration by the legislature with regard to state administration of the CHIP program. When the CHIP program was originally established, the Governor recommended that it be a stand-alone insurance type product with benefit levels and coverage similar to that provided to state employees. All benefits are provided through contract with a private insurance carrier, except that HRD administers dental and vision services.

The current contractor:

- Accepts a monthly payment for each eligible child
- Establishes payment rates
- Establishes a provider network

- Pays all claims and tracks co-payment amounts
- Assumes financial risks if claims exceed revenues
- Provides selected management and claims payment data for state administrators

During the fall of 2004, the Legislative Finance Committee heard an update on the contract renegotiation for CHIP benefit administration. HRD staff noted that the CHIP plan administrator had reserves of slightly over \$3 million. Additionally, the contractor had used some of the reserves to fund charitable work of an organization closely related to the contractor.

HRD negotiated a contract renewal that:

- Used \$2 million of the reserve to pay for FY 2005 CHIP premiums in order to maintain enrollment at 10,900 children
- Did not include a premium increase for FY 2005
- Would allow consideration of using future reserves as premium payments unless the contract is canceled

HRD submitted a written analysis of state administration of CHIP late in appropriation subcommittee consideration of DPHHS appropriation levels. The legislature took no action with respect to state administration of the program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					32,784					31,352
Vacancy Savings					(33,199)					(33,140)
Inflation/Deflation					(755)					(733)
Fixed Costs					29,433					30,045
Total Statewide Present Law Adjustments					\$28,263					\$27,524
Grand Total All Present Law Adjustments					\$28,263					\$27,524

Statewide present law adjustments add about \$55,000 over the biennium. State special revenue pays about \$11,000 and federal CHIP grant funds pay the balance.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 115 - Specialty Clinic Cost Recovery										
02	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 3192 - CHIP Enrollment to 10,900 Children Funding										
02	0.00	607,840	304,531	2,140,799	3,053,170	0.00	607,840	875,113	3,596,735	5,079,688
DP 3206 - CHIP Expansion by 3,000 Children										
02	2.00	0	2,043,906	6,382,270	8,426,176	2.00	0	2,118,045	6,229,284	8,347,329
DP 3703 - Children's Special Health Care Clinic										
02	0.00	0	25,000	0	25,000	0.00	0	50,000	0	50,000
Total	2.00	\$607,840	\$2,573,437	\$8,523,069	\$11,704,346	2.00	\$607,840	\$3,243,158	\$9,826,019	\$13,677,017

DP 115 - Specialty Clinic Cost Recovery - The legislature accepted the executive request for \$200,000 per year in state

special revenue authority for the Children's Special Health Services (CSHS) specialty clinics to recover costs of services from patients and their insurance. These clinics provide comprehensive, multi-disciplinary care for children with cleft, craniofacial, or metabolic disorders. The funds will be used to support additional services.

DP 3192 - CHIP Enrollment to 10,900 Children Funding - The legislature accepted the executive request for total funds of over \$8 million for the biennium to maintain CHIP enrollment at 10,900 children. State matching funds include an increase of \$0.4 million in I-149 tobacco tax state special revenue, \$0.8 million in tobacco settlement funds, \$1.2 million in general fund and, a \$5.3 million increase in federal funds. This funding mix will pay for health care coverage for 10,900 children and will allow stable monthly enrollment in the program.

The legislature added \$2.2 million general fund, offsetting a like amount of I-149 state special revenue funds that had been included in the executive request. The full amount of general fund included in DP 3192 is less because the executive budget had removed about \$0.5 million in general fund spent in the base budget. The legislature made the change to comply with statute enacted by passage of I-149, which does not allow use of increased tobacco tax revenue to offset state funding appropriated for CHIP during the 2005 biennium. The total state appropriation for CHIP over the 2005 biennium was \$6,585,738. Altogether general fund and tobacco settlement revenue support \$3 million of the 2007 biennium appropriation.

DP 3206 - CHIP Expansion by 3,000 Children - The legislature approved the executive request for \$17 million over the biennium to expand the Children's Health Insurance Program (CHIP) by 3,000 children. Together with the request included in NP 3192, CHIP enrollment will be about 13,900 each year of the 2007 biennium. The appropriation includes \$4 million in state special revenue from the I-149 tobacco tax and \$13 million in CHIP and Medicaid federal matching funds. This funding mix will pay for additional CHIP and associated Medicaid coverage for 3,000 children, because during CHIP outreach children who are eligible for Medicaid are also discovered.

DP 3703 - Children's Special Health Care Clinic - The legislature accepted the executive proposal to use Health and Medicaid Initiative Funds (I-149) to fund additional clinics for children with special health needs. The legislature delayed implementation of the expansion from July 1, 2005 to January 1, 2006.

Children's Mental Health Services Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	0.00	12.00	17.00	0.00	12.00	17.00	17.00
Personal Services	150,848	113,432	514,755	779,035	113,256	513,356	777,460	1,556,495
Operating Expenses	989,419	(65)	404,274	1,393,628	(62)	448,130	1,437,487	2,831,115
Grants	0	0	597,918	597,918	0	1,304,061	1,304,061	1,901,979
Benefits & Claims	60,837,251	3,697,633	2,112,368	66,647,252	4,313,408	(682,888)	64,467,771	131,115,023
Total Costs	\$61,977,518	\$3,811,000	\$3,629,315	\$69,417,833	\$4,426,602	\$1,582,659	\$67,986,779	\$137,404,612
General Fund	12,769,756	1,139,721	(55,958)	13,853,519	1,347,169	(54,354)	14,062,571	27,916,090
State/Other Special	233,552	0	875,000	1,108,552	0	50,000	283,552	1,392,104
Federal Special	48,974,210	2,671,279	2,810,273	54,455,762	3,079,433	1,587,013	53,640,656	108,096,418
Total Funds	\$61,977,518	\$3,811,000	\$3,629,315	\$69,417,833	\$4,426,602	\$1,582,659	\$67,986,779	\$137,404,612

Children's Mental Health Services

The children's mental health function administers Medicaid mental health services for children as well as providing primary DPHHS staff support in the development of a system of care for children. The 2007 biennium appropriation grows about \$14 million total funds (\$2 million general fund) over the FY 2004 base budget expenditures. The primary components of the net increase are:

- Medicaid caseload changes that add \$8 million total funds (\$2 million general fund)
- Federal grant funds for 7.00 new FTE and \$6 million to implement a system of care for children
- Funding for 5.00 new FTE with a net reduction of \$1 million total funds and about \$0.1 million general fund due to anticipated savings in mental health services costs
- Funding for a provider rate increase of \$3 million total funds, including \$0.9 million tobacco tax revenue from I-149

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					124,445					124,262
Vacancy Savings					(11,013)					(11,006)
Inflation/Deflation					(65)					(62)
Total Statewide Present Law Adjustments					\$113,367					\$113,194
DP 17 - Medicaid Caseload - Children's Mental Health	0.00	1,083,037	0	2,614,596	3,697,633	0.00	1,290,572	0	3,022,836	4,313,408
Total Other Present Law Adjustments										
	0.00	\$1,083,037	\$0	\$2,614,596	\$3,697,633	0.00	\$1,290,572	\$0	\$3,022,836	\$4,313,408
Grand Total All Present Law Adjustments					\$3,811,000					\$4,426,602

DP 17 - Medicaid Caseload - Children's Mental Health - The legislature accepted the executive request to add close to \$8 million in all funds, including nearly \$2.4 million in general fund and \$5.6 million in federal funds, over the biennium for Medicaid caseload growth in the Children's Mental Health program. The increase is about 2 percent per year, which is much lower than Medicaid cost increases over the last four years. Service reductions and other cost saving measures

implemented during the 2003 biennium appear to have slowed cost growth.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 42 - Enhance Efficiency of Children's Mental Health Services										
03	5.00	(55,958)	0	(418,384)	(474,342)	5.00	(54,354)	0	(395,714)	(450,068)
DP 146 - Develop System of Care for Children										
03	7.00	0	0	1,116,289	1,116,289	7.00	0	0	1,865,615	1,865,615
DP 3606 - Children's Mental Health Provider Rate Increase										
03	0.00	0	875,000	2,112,368	2,987,368	0.00	0	0	0	0
DP 3702 - Flexible Funds for SED Waiver										
03	0.00	0	0	0	0	0.00	0	50,000	117,112	167,112
Total	12.00	(\$55,958)	\$875,000	\$2,810,273	\$3,629,315	12.00	(\$54,354)	\$50,000	\$1,587,013	\$1,582,659

DP 42 - Enhance Efficiency of Children's Mental Health Services - The legislature accepted the executive proposal to fund 5.00 new FTE for children's mental health services and to reduce service costs as a result of work done by the new employees. The duties of the new FTE will be to monitor contracted services, and to identify and resolve problems. HRD anticipates the new FTE will enhance efficiency of services to severely emotionally disturbed (SED) youth and families through coordination and development of Kids Management Authorities (KMAs), improve treatment coordination planning among multiple agencies, and facilitate problem resolution at the local level.

The appropriation includes increases in administrative costs totaling \$800,000, over the biennium, which are more than offset by anticipated savings of about \$920,000. The total cost change nets to reductions of \$110,312 general fund and \$924,410 federal funds over the 2007 biennium.

DP 146 - Develop System of Care for Children - The legislature approved the executive request for \$3 million federal funds over the biennium, including funds for 7.00 new FTE to further the development of the children's system of care. The funds are available through a grant from the Substance Abuse and Mental Health Services Administration (SAMSHA). This grant is intended to assist Montana in the development of a system of care for children with a serious emotional disturbance (SED), and to implement and expand local Kids Management Authorities. The grant requires a 25 percent match (either state or in kind).

Several of the entities that are collaborating with the division in the development of the system of care are contributing matching funds, including \$250,000 of in-kind match from the Crow Tribe. The division will reduce a contract for pre-authorization and utilization reviews of children's mental health services to provide \$50,000 in general fund match for the grant.

Four of the FTE will be located in Helena, while the remaining three will be field staff located at local project sights. These staff will carry out the terms of the federal contract/grant, which include administration of the grant, data collection, analysis and reporting, training coordination, social marketing and communication efforts, development of parent advocacy organizations, and improvement of the children's mental health service delivery system for SED youth.

The legislature expressed its concern of the potential ongoing and increasing state cost associated with administering the processes implemented through the federal grant. Legislative and division staff will review the costs of continuing the system of care with the 2007 Legislature.

DP 3606 - Children's Mental Health Provider Rate Increase - The legislature added \$1 million in tobacco tax revenue funded from I-149 for provider rate increases for children's mental health services. Federal Medicaid matching funds of \$2 million were also approved.

The legislature added language that the funds must be used for direct care worker wage increases and that wages must be raised by 75 cents an hour and in addition benefit reimbursement must be raised by 26 cents per hour. If funds in this

decision package are insufficient to raise wages by the amount intended, the department may also apply funds from the rate increase included in DP 3700, which includes funds for a 6 percent rate increase in FY 2006.

The Governor vetoed language in HB 2 requiring that the department provide documentation regarding implementation of this appropriation and that the wage increases must be implemented by October 1, 2005. A lawsuit has been filed regarding the Governor's ability to veto language in HB 2 without also removing the appropriation.

DP 3702 - Flexible Funds for SED Waiver - The legislature accepted the executive proposal to appropriate \$50,000 of state special revenue from the Health and Medicaid Initiatives Account created by the passage of I-149 and \$117,122 in federal Medicaid matching funds to create funding for innovative services for children with a serious emotional disturbance (SED). This funding will help fund services that can support SED children in their families and communities to provide better outcomes for children. The proposal is one component of the development of the children's system of care.

Low Income Prescription Drug Assistance Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	9.00	9.00	0.00	9.00	9.00	9.00
Personal Services	0	0	466,441	466,441	0	465,062	465,062	931,503
Operating Expenses	0	0	8,261,559	8,261,559	0	10,727,178	10,727,178	18,988,737
Total Costs	\$0	\$0	\$8,728,000	\$8,728,000	\$0	\$11,192,240	\$11,192,240	\$19,920,240
State/Other Special	0	0	8,728,000	8,728,000	0	11,192,240	11,192,240	19,920,240
Total Funds	\$0	\$0	\$8,728,000	\$8,728,000	\$0	\$11,192,240	\$11,192,240	\$19,920,240

Low Income Prescription Drug Assistance Program

The legislature passed SB 324 to enact a prescription drug assistance program for low-income Montanans as authorized in a voter initiative passed in the November 2004 election (I-149). There are no present law adjustments for this function because it is a new program.

Administrative costs, including funding for 9.00 FTE to administer the program, are funded from anticipated rebates from drug manufacturers participating in the program. Start up costs are funded from \$1 million in I-149 tobacco tax state special revenue.

A more detailed description of the program is included in the agency over view.

New Proposals

New Proposals										
Sub Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3202 - Prescription Drug Program -- SB 324 (Restricted)										
05	0.00	0	6,000,000	0	6,000,000	0.00	0	8,750,000	0	8,750,000
DP 3207 - Startup Funds for Prescription Drug Program (Biennial/Restricted)										
05	0.00	0	1,000,000	0	1,000,000	0.00	0	0	0	0
DP 3324 - Implement SB 324 - Staff and Operating Costs										
05	9.00	0	1,728,000	0	1,728,000	9.00	0	2,442,240	0	2,442,240
Total	9.00	\$0	\$8,728,000	\$0	\$8,728,000	9.00	\$0	\$11,192,240	\$0	\$11,192,240

DP 3202 - Prescription Drug Program -- SB 324 (Restricted) - The legislature approved \$14.75 million tobacco tax state special revenue over the biennium for a prescription drug program, as well as other programs and provider rate increases, referred to in 53-6-1201, MCA (enacted through Initiative 149), and funded through increased tobacco taxes. Total appropriations from I-149 are discussed in greater detail in the agency narrative, including the prescription drug program.

DP 3207 - Startup Funds for Prescription Drug Program (Biennial/Restricted) - This decision package includes \$1 million in state special I-149 tobacco revenue to fund start up of the prescription drug program embodied in SB 324. The start up appropriation is exempt from the HB 2 restriction that funds from the health and Medicaid initiatives account cannot be spent until December 1, 2005, or until the account reaches a balance of \$25 million.

DP 3324 - Implement SB 324 - Staff and Operating Costs - The legislature added \$4.2 million in state special revenue from pharmacy rebates for the prescription drug program initiated in SB 324. The funds support 9.00 new FTE and operating costs to administer the program, which is discussed in more detail in the agency overview.

Health Insurance Premium Assistance Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	1.00	1.00	0.00	1.00	1.00	1.00
Personal Services	0	0	40,195	40,195	0	40,079	40,079	80,274
Operating Expenses	0	0	(14,535)	(14,535)	0	3,409	3,409	(11,126)
Benefits & Claims	0	0	0	0	0	2,328,193	2,328,193	2,328,193
Total Costs	\$0	\$0	\$25,660	\$25,660	\$0	\$2,371,681	\$2,371,681	\$2,397,341
State/Other Special	0	0	12,830	12,830	0	21,744	21,744	34,574
Federal Special	0	0	12,830	12,830	0	2,349,937	2,349,937	2,362,767
Total Funds	\$0	\$0	\$25,660	\$25,660	\$0	\$2,371,681	\$2,371,681	\$2,397,341

Health Insurance Premium Assistance

The legislature passed HB 667 creating a tax credit and health insurance premium assistance program for small employers as allowed by I-149, a voter initiative that passed in the November 2004 election. There are no present law adjustments since the program is newly created.

The State Auditor administers the program, which is discussed in more detail in the DPHHS overview. The legislature added tobacco tax state special revenue appropriated funds to support 1.00 FTE to administer a Medicaid waiver to help support health insurance premiums for low-income workers of small employers. Federal matching funds of about \$2.3 million were appropriated in FY 2007 on the assumption that the Medicaid waiver would be approved. The State Auditor is to transfer up to \$1 million in tobacco tax state special revenue to DPHHS for the state match for Medicaid service costs.

New Proposals

New Proposals										
Sub Program	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3667 - HRD -- Implement Provisions of HB 667										
06	1.00	0	12,830	12,830	25,660	1.00	0	21,744	2,349,937	2,371,681
Total	1.00	\$0	\$12,830	\$12,830	\$25,660	1.00	\$0	\$21,744	\$2,349,937	\$2,371,681

DP 3667 - HRD -- Implement Provisions of HB 667 - The legislature added \$34,574 state special revenue and \$2,352,767 in federal authority to implement the provisions of HB 667. The funds support 1.00 FTE to design and manage an 1115 Medicaid waiver to allow I-149 tobacco state special revenue for state match to help fund premium assistance for small business employees, whose incomes are below 200 percent of the federal poverty level. The federal funds approved in FY 2007 include \$2.3 million in federal Medicaid matching funds in anticipation of approval of the Medicaid waiver. Language was included in HB 2 directing the State Auditor's Office to transfer about \$1 million of I-149 state special tobacco revenue to pay the state match for the waiver.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	193.44	0.00	0.00	193.44	0.00	0.00	193.44	193.44
Personal Services	6,878,677	938,994	249,113	8,066,784	952,592	653,999	8,485,268	16,552,052
Operating Expenses	5,100,488	350,126	398,112	5,848,726	339,097	354,571	5,794,156	11,642,882
Equipment	69,036	0	85,000	154,036	0	0	69,036	223,072
Grants	7,226,930	137,721	1,167,000	8,531,651	137,721	567,000	7,931,651	16,463,302
Benefits & Claims	175,529,268	10,304,152	24,815,402	210,648,822	13,130,367	12,375,736	201,035,371	411,684,193
Transfers	0	0	0	0	0	0	0	0
Debt Service	15,912	0	0	15,912	0	0	15,912	31,824
Total Costs	\$194,820,311	\$11,730,993	\$26,714,627	\$233,265,931	\$14,559,777	\$13,951,306	\$223,331,394	\$456,597,325
General Fund	37,464,018	8,309,004	4,363,158	50,136,180	9,092,928	1,442,436	47,999,382	98,135,562
State/Other Special	14,355,230	3,612,457	4,852,245	22,819,932	4,748,598	3,742,719	22,846,547	45,666,479
Federal Special	143,001,063	(190,468)	17,499,224	160,309,819	718,251	8,766,151	152,485,465	312,795,284
Total Funds	\$194,820,311	\$11,730,993	\$26,714,627	\$233,265,931	\$14,559,777	\$13,951,306	\$223,331,394	\$456,597,325

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

- 1) Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services;
- 2) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
- 3) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 94 Montana nursing homes;
- 4) Adult protective services, including the investigation of abuse, neglect, and exploitation, are provided by protective services social workers;
- 5) Skilled nursing care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and
- 6) State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA (authorizes and establishes Montana Veteran's Homes); 53-1-602, MCA (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division Major Budget Highlights

- ◆ The biennial division appropriation grows about \$67 million total funds (\$23 million general fund) compared to FY 2004 base budget expenditures
 - About 80 percent of the total increase is for provider rate increases with the largest share of the appropriation supporting nursing home rate increases
- ◆ The major biennial increases support Medicaid services, add \$60 million total funds in HB 2 (including \$21 million general fund) and support:
 - 2007 biennium Medicaid provider and direct care worker wage increases - \$27 million
 - Annualization of FY 2005 nursing home bed tax increases to raise nursing home rates – \$8 million
 - Increases in intergovernmental transfers for county administered nursing homes – \$14 million
 - Expansion of community services for elderly and physically disabled – \$4 million
 - Annualization of FY 2005 community services expansions and continuation of funding for hospice and home health - \$4 million
- ◆ Some increases are partially offset by legislative adoption of lower nursing home caseload estimates - \$6 million
- ◆ Funding for veterans' services adds \$3 million primarily for state institution overtime and operating cost increases
- ◆ The legislature added \$50,000 for a study of veterans' long term care needs
- ◆ General fund appropriations increase \$14.5 million over the biennium and federal appropriations decline by a like amount due to increases in the state Medicaid match rate during the 2007 biennium
- ◆ Nursing home bed tax increases authorized and appropriated in HB 749 add \$32 million over the 2007 biennium and are not included in the above table

Program Narrative

The 2007 biennium appropriation for SLTC grows about \$67 million total funds (\$23 million general fund) compared to base budget expenditures. Over 90 percent (\$60 million) of the increase supports benefits or direct services to individuals. Personal services costs rise about 4 percent and operating costs grow 2 percent. Most of the personal services and operating cost increases are related to operation of the two veterans' homes, which account for nearly two thirds of the division FTE.

Appropriations for Provider Rate Increases

The majority of the appropriation increase in this division supports provider rate increases and direct care worker wage increases. Of the total \$51 million increase for Medicaid services, \$13 million goes to service expansions and funding to continue hospice, home health, and a very small portion of personal assistance services, while \$48 million supports rate increases, primarily for nursing homes.

Figure 33 shows the biennial base budgets for major Medicaid service categories, the amounts added for provider rate and direct care worker wage increases for each service, and the total amounts appropriated for all Medicaid services for

changes in the state Medicaid match rate, caseload and service utilization growth, and services expansions. The final item in the appropriation breakout is the total biennial appropriation for all other functions administered by SLTC (aging, adult protective, and the two veterans' homes). Excluding funding for Medicaid services to individuals, the balance of the 2007 biennium appropriation for SLTC services is only 13 percent. Provider rate and direct care worker wage increases that will be initiated at the beginning of the 2007 biennium constitute 10 percent of the entire division budget. That amount does not include the annualization of provider rate increases granted in FY 2005. Medicaid service expansion accounts for .2 percent of the biennial division appropriation and caseload and service utilization receive 1 percent.

Purpose	General Fund	SSR	Federal	Total	Percent of Total
Nursing Home Services - Base	\$47,798,470	\$9,954,776	\$175,381,678	\$233,134,924	51%
Rate Increase	535,614	7,708,899	16,980,914	25,225,427	6%
Direct Care Worker	973,294	1,531,057	9,678,276	12,182,627	3%
Medicaid Community Services - Base	27,087,920	4,036,342	73,114,235	104,238,497	23%
Rate Increase	92,530	692,062	1,865,347	2,649,939	1%
Direct Care Worker	142,470	449,540	1,429,192	2,021,202	0%
State Match Increase	15,795,912	1,410,304	(17,206,216)	0	0%
Medicaid Service Expansion	1,845,212	1,410,759	6,758,955	10,014,926	2%
Medicaid Caseload/Service Growth	2,122,161	0	3,830,857	5,953,018	1%
All Other Appropriations - Including Base Budgets for Veterans' Homes	1,741,979	18,472,740	40,962,046	61,176,765	13%
Total	\$98,135,562	\$45,666,479	\$312,795,284	\$456,597,325	100%

The program table and Figure 33 includes only HB 2 and pay plan funding (HB 447). An additional \$32 million is appropriated in HB 749, which raises the daily nursing home bed fee for state matching funds to draw down added federal Medicaid reimbursement for nursing homes. Figure 40 in the Medicaid services appropriation section includes a more detailed view of appropriation increases authorized by the legislature, including the impact of HB 447.

Overview of Appropriations

The relationship between SLTC appropriations for provider rate increases and caseload growth is somewhat unique for Medicaid entitlement services. Usually, the relationship is reversed and caseload growth outstrips the amounts appropriated for provider reimbursement. For instance, in the Health Resources Division, the relationship is:

- Caseload and service utilization changes - 71 percent of the total change
- Provider rate increases - 26 percent of the total change

General fund support increases from 19 percent of base budget expenditures to 21 percent in FY 2007. About \$14.5 million of the general fund expansion is due to increases in state Medicaid match rate because of:

- Loss of the temporary enhancement in the federal match rate (2.95 percent) in FY 2004, which causes an offsetting increase in state match rates each year of the 2007 biennium
- Annual adjustments in state Medicaid match rates determined by changes in state per capita income compared to national per capital income

The rest of the general fund growth is due to appropriations to fund increases in Medicaid provider and direct care worker wage increases and expansion of community services, as well as legislative initiatives that add \$1.2 million general fund over the biennium to continue and increase Meals on Wheels and grants for non Medicaid community services for inhome care-giver services. During the 2005 biennium Meals on Wheels was funded from annual one-time appropriations of \$267,000 in federal relief funds.

State special revenue increases about \$17 million over the 2007 biennium compared to base budget funding. The largest changes are in:

- Tobacco state special revenue (I-149) - \$8 million
- County revenues that fund a nursing home Medicaid intergovernmental transfer (IGT) - \$5 million
- Nursing home bed tax revenues that are used as state match to increase Medicaid nursing home rates - \$2 million in HB 2 and an additional \$9.5 million in HB 749
- Cigarette tax revenue, which supports the two veterans' homes - \$1 million

Federal funds grow about \$27 million over the biennium compared to base budget funding. The major increases are:

- Changes in Medicaid caseload and service utilization, including provider rate increases and service expansions - \$25 million
- Growth in federal reimbursement for Montana veterans' homes - \$1 million

In general, the legislature accepted the executive budget request for the Senior and Long Term Care Division with a few notable differences:

- A reduction of \$6 million total funds, including \$2 million general fund, due to approval of the legislative estimates for nursing home utilization
- An increase in the home and community based waiver that is estimated to serve an additional 112 persons in FY 2007 – a biennial increase of \$4 million total funds, including \$1 million general fund
- An increase for direct care worker wages and provider rates of \$13 million total funds, including \$3 million general fund and \$1 million tobacco tax state special revenue (I-149)
- One-time increases of \$1.2 million general fund to expand Meals on Wheels and in-home caregiver services
- A one-time appropriation of \$50,000 in cigarette tax state special revenue to support a study of long term care needs for veterans

Appropriation by Function

Figure 34 shows the appropriation for each major division function, benefit, grant, and veterans' home. The Medicaid services function is 90 percent of the division appropriation and shows the largest increase growing from \$177 million in the base budget to \$202 million in the FY 2007 appropriation, or an increase of \$25 million. Comparatively, veterans' services grow from \$7 to \$9 million over the same time period and aging services increase about \$1 million annually from the \$9 million base expenditure level. The change in the division administration function budget is about \$1 million over the biennium, due almost solely to allocation of the division pay plan funding, which will be distributed to all functions.

Figure 34

Senior and Long-Term Care Division 2004 Base Budget Expenditures and 2007 Biennium Appropriation by Major Function and Service
FY 2004 Base Budget FY 2006 Legislative Appropriation FY 2007 Legislative Appropriation

Function and Benefits and Grants	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	% of Total
Division Administration	\$158,492	\$55,583	\$147,171	\$361,246	\$224,722	\$212,629	\$223,848	\$661,199	\$327,644	\$339,091	\$348,935	\$1,015,670	0%
Medical Services	34,012,784	9,639,499	132,800,356	176,452,639	45,296,202	17,090,848	149,316,059	211,703,109	43,656,746	17,149,268	141,284,589	202,090,603	90%
Aging Services	1,992,967	24,771	6,786,359	8,804,097	3,192,623	24,771	6,916,469	10,133,863	2,592,415	24,771	6,916,975	9,534,161	4%
Veterans' Program	0	4,413,478	2,904,987	7,318,465	0	5,247,440	3,484,898	8,732,338	0	5,088,542	3,566,338	8,654,880	4%
Adult Protective Svcs	1,299,775	221,899	362,190	1,883,864	1,422,633	244,244	368,545	2,035,422	1,422,277	244,875	368,628	2,036,080	1%
Total Division Approp.	\$37,464,018	\$14,355,230	\$143,001,063	\$194,820,311	\$50,136,180	\$22,819,932	\$160,309,819	\$233,265,931	\$47,999,382	\$22,846,547	\$152,485,465	\$223,131,394	100%
Percent of Total	19.2%	7.4%	73.4%	100.0%	21.5%	9.8%	68.7%	100.0%	21.5%	10.2%	68.3%	100.0%	
Compounded Annual Rate of Change from FY 2004 Base					15.7%	26.1%	5.9%	9.4%	8.6%	16.8%	2.2%	4.7%	
Benefits													
Medicaid													
Nursing Homes	\$23,899,235	\$ 4,977,388	\$ 87,690,839	\$116,567,462	\$30,389,985	\$9,150,155	\$94,928,074	\$134,468,214	\$29,160,554	\$7,635,230	\$85,668,731	\$122,464,515	55%
Intergov. Transfer	0	3,639,594	11,468,724	15,108,318	0	5,653,133	14,074,936	19,728,069	0	6,830,412	16,436,088	23,266,500	10%
Home Based Services	4,386,083	999,999	17,168,128	22,554,210	7,278,839	2,170,829	22,251,108	31,700,776	7,180,171	1,737,226	20,392,386	29,309,783	13%
Waiver Services	4,871,238	0	15,021,851	19,893,089	6,711,826	86,096	16,515,204	23,313,126	6,400,053	915,765	17,240,118	24,555,936	11%
Nurse Aide Training	139,087	0	139,087	278,174	139,087	0	139,087	278,174	139,087	0	139,087	278,174	0%
State Supplement	864,900	0	0	864,900	897,348	0	0	897,348	897,348	0	0	897,348	0%
Aging Services	59,661	0	0	59,661	59,661	0	0	59,661	59,661	0	0	59,661	0%
Institutional - MVH	0	0	203,454	203,454	0	0	203,454	203,454	0	0	203,454	203,454	0%
Subtotal Benefits	\$34,220,204	\$9,616,981	\$131,692,083	\$175,529,268	\$45,476,746	\$17,060,213	\$148,111,863	\$210,648,822	\$43,836,874	\$17,118,633	\$140,079,864	\$201,035,371	90%
Percent of Total	19%	5%	75%	100%	22%	8%	70%	100%	22%	9%	70%	100%	
Compounded Annual Rate of Change from FY 2004 Base					15%	33%	6%	10%	9%	21%	2%	5%	
Grants													
Aging Grants	\$936,111	\$0	\$6,290,819	\$7,226,930	\$936,111	\$0	\$6,428,540	\$7,364,651	\$936,111	\$0	\$6,428,540	\$7,364,651	3%
Meals on Wheels*	0	0	257,000	257,000	567,000	0	0	567,000	567,000	0	0	567,000	0%
Inhome Care-Giver Services**	0	0	0	0	300,000	0	0	300,000	300,000	0	0	300,000	0%
Subtotal Grants	\$936,111	\$0	\$6,547,819	\$7,483,930	\$1,803,111	\$0	\$6,428,540	\$8,231,651	\$1,803,111	\$0	\$6,428,540	\$8,231,651	3%
Percent of Total Div.	13%	0%	87%	100%	13%	0%	87%	100%	13%	0%	87%	100%	
Compounded Annual Rate of Change from FY 2004 Base					0%	n/a	1%	1%	0%	n/a	1%	1%	
Veterans' Homes													
Montana Vets' Home	\$0	\$4,216,170	\$1,765,442	\$5,981,612	\$0	\$4,951,987	\$2,197,475	\$7,149,462	\$0	\$4,881,735	\$2,254,897	\$7,136,632	3%
Eastern Vets' Home	0	197,208	1,139,545	1,336,753	0	295,453	1,287,423	1,582,876	0	206,807	1,311,441	1,518,248	1%
Subtotal Vets' Homes	\$0	\$4,413,478	\$2,904,987	\$7,318,465	\$0	\$5,247,440	\$3,484,898	\$8,732,338	\$0	\$5,088,542	\$3,566,338	\$8,654,880	4%
Percent of Total	0%	60%	40%	100%	0%	60%	40%	100%	0%	59%	41%	100%	
Compounded Annual Rate of Change from FY 2004 Base					n/a	9%	10%	9%	n/a	5%	7%	6%	

*Meals on Wheels was funded from a one-time appropriation of federal funds during the 2007 biennium, but included in this table for illustrative purposes.
**Inhome care-giver services is a biennial appropriation in FY 2006, but shown as an equal amount in each year of the biennium for the C33 purposes of this table

Medicaid services are the most significant function from a budget standpoint and use \$44 million of the \$48 million general fund appropriation in FY 2007. The remaining \$4 million general fund is allocated to:

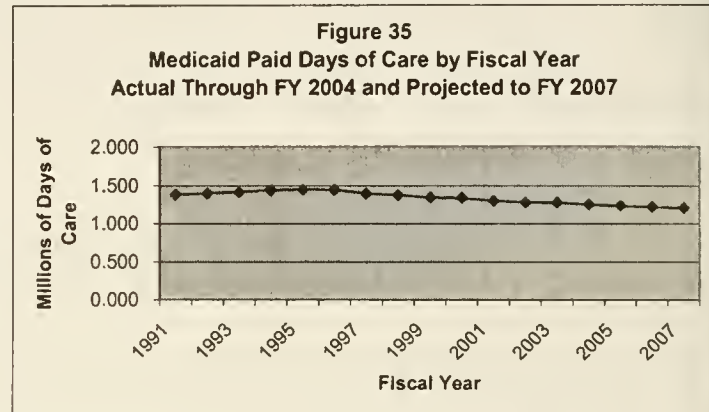
- Grants to local agencies for aging services – about \$2.6 million
- Adult protective services – \$1.4 million
- General division administration – about \$0.4 million

Nursing Home Services

Nursing home services are the largest Medicaid function and the single largest budget component of the division, with 55 percent of the total FY 2007 appropriation. If intergovernmental transfer (IGT) payments for nursing homes are added, the Medicaid nursing home component grows to 65 percent of the FY 2007 total.

Nursing Home Caseload/Cost Estimate

The legislature appropriated \$44.5 million total funds less than requested by the executive to fund nursing home services over the 2007 biennium because the number of nursing home bed days reimbursed by Medicaid has steadily declined since 1995 (see Figure 35). The legislative appropriation is based on an estimated 1,219,185 days of care in FY 2006 and 1,207,785 in FY 2007, which represents a 1 percent annual decline from 1,232,208, the number of days of care estimated for FY 2005.



Major Policy Issue – Nursing Home Reimbursement

The major issues considered by the legislature with respect to the Senior and Long Term Care Division dealt with provider reimbursement. Not only did the legislature fund a significant increase above the executive request for direct care worker wages for Medicaid nursing home and community service providers, it passed HB 749, which raised nursing home bed day fees for the 2007 biennium. Figure 36 shows the nursing home bed fee daily rate, which is all used to pay state matching funds to raise the Medicaid nursing home rate above the level paid in FY 2003. The daily fee was raised to by \$3.00 to \$8.30 during the 2007 biennium.

Figure 36
HB 749 Changes to Daily
Nursing Home Bed Fee
in FY 2006 and FY 2007

Year	Increment	Total
2003		\$2.80
2004	\$1.70	4.50
2005	0.80	5.30
2006*	1.75	7.05
2007*	<u>1.25</u>	8.30
Total	\$5.50	

*Rate changes due to HB 749.

The legislative initiatives to fund direct care worker wage increases, provider rate increases, and community aging services are explained in greater detail in the agency overview.

Figure 36 shows the estimated daily rate for nursing home services, not including patient contributions, that the legislative appropriation will support. The rates shown in Figure 36 are derived by dividing the total appropriations for rate increases by the legislative estimate of days of care for each fiscal year of the 2007 biennium. Legislative appropriations, not including patient contributions, direct care worker increases, or IGT rate add ons, would raise daily nursing home rates by about 12 percent per year above the estimated FY 2005 level.

Figure 37

Daily Nursing Home Rate that HB 2 and HB 447
Would Support Based on Legislative Estimates

Base Rate/Bill/IGT Amount	FY 2006	FY 2007
FY 2005 Base	\$97.38	\$97.38
HB 2 Increase	2.98	2.95
HB 749	9.79	16.60
Subtotal	\$110.15	\$126.76
IGT Payments	\$16.17	\$19.26
Total Daily Rate (not (Including Patient Contribution)	\$126.32	\$146.02

The intergovernmental transfer (IGT) portion of the rate shown in Figure 37 is an average amount computed in the same way as other rate amounts. However, IGT payments are not distributed equally among all nursing homes. County administered homes receive a disproportionately larger share of IGT add on to their rates than do privately run homes. Additionally, the legislature has indicated that IGT payments are not considered a permanent part of the nursing home rate and that if the federal government ever disapproves IGT payments, the legislature would not backfill the IGT portion of nursing home payments.

Intergovernmental Transfers (IGTs)

An IGT is an allowable federal Medicaid reimbursement for non-state, publicly administered Medicaid services. In this case, county administered and managed nursing homes are allowed to recoup additional reimbursement for Medicaid services subject to several restrictions. Counties must make a payment to the state (an intergovernmental transfer). The state uses the county funds as matching funds to draw down additional federal Medicaid funds. The state then adds an additional amount of reimbursement for each day of Medicaid nursing home care that is provided.

The total paid under Medicaid, including an IGT, is subject to an upper payment limit. A state may pay no more for Medicaid services than what Medicare would pay or what would be paid using a Medicare payment methodology. The legislature approved such payments beginning in the 2001 session and provided direction to DPHHS that the majority of the IGT payment is used to boost county nursing home rates while a portion of the IGT is distributed to all nursing homes, including those that are privately operated.

Legislative Oversight of IGT Program

Nationally, states' use of IGT funding mechanisms has come under increasing scrutiny by the federal Medicaid oversight agency – the Centers for Medicare and Medicaid Services (CMS). The legislature reviewed Montana's IGT program and considered recent federal guidance on such programs. The legislature has structured the appropriation for the Montana IGT program and payments using the most recent federal guidance, changing its IGT program as federal interpretation of IGT rules has evolved. Montana was one of several states noted as administering a legal, qualified IGT program by CMS in April 2005.

Home Based and Waiver Services

SLTC administers community and home based services for the elderly and physically disabled as well as nursing facility services. Home based services include personal assistance, hospice, and home therapy services and are an entitlement. Personal assistance services are the major service provided, accounting for 99 percent of the total appropriation for home based services.

Community based waiver services are provided to persons who meet nursing home level of care, but who can and desire to be served in the community. Waiver services are not an entitlement and there are sometimes waiting lists for persons who would prefer to receive such services. Waiver services are also not part of the services considered regular state Medicaid plan services, so states must receive a waiver of federal rules to reimburse such services, which can include assisted living, home health, and homemaker services. The legislature approved the executive request to fund an expansion of waiver slots and added funds for additional slots. Figure 38 shows the number of persons receiving waiver services in FY 2005 and the number that can be served in the 2007 biennium.

The legislature approved the executive request to provide services to an additional 60 persons in FY 2006 rising to a total of 100 in FY 2007. The legislature added at its own initiative funding to support another 22 and 34 persons respectively, increasing the expansion by about 33 percent.

The legislature used some of the general fund reduction in nursing home costs to fund its increase for community-based Medicaid waiver services. The legislature applied \$385,142 general fund and matching federal funds over the biennium.

Other Benefit Appropriations

The remaining appropriations for benefits constitute less than 1 percent of the total division appropriation. Nurse aide testing is provided to ensure that nurse aides in nursing homes have necessary qualifications. The state supplement is a general fund payment made to supplement Supplemental Security Income payments for certain Medicaid eligible individuals living in the community, typically in group home settings. Aging services benefits fund emergency services for adults at risk of abuse, neglect, or exploitation. Institutional Montana Veterans' Home payments are reimbursements from Medicaid for eligible services.

Grant Appropriations

Grant appropriations support aging services such as feeding, caregiver, and ombudsman services. The majority of funds that support aging services are from federal categorical grants.

The funds are distributed to local Area Agencies on Aging, which are under contract with DPHHS to deliver services. These benefits are provided to the general elderly and disabled population, without regard to Medicaid eligibility. The legislature added \$630,000 above the executive request for Meals on Wheels and added a new appropriation of \$600,000 general fund inhome care-giver services.

Biennial Comparison

Figure 39 compares the 2005 biennium expenditures and appropriation to the 2007 biennium appropriation. The 2007 biennium appropriation is 11 percent greater than the 2005 biennium. The largest increase is in state special revenue appropriated for direct care worker wage and provider rate increases as well as Medicaid community service expansions. Pay plan allocations for veterans' homes also contributes to the increase.

While general fund supports 17 percent of the total growth between biennia, it has the single largest fund increase with \$17.5 million. General fund support rises due to federal Medicaid match rate reductions, provider and direct care worker wage increases, and to a lesser extent, pay plan allocations.

Federal funds increase most significantly due to Medicaid cost increases and, to some extent, from 2007 biennium pay plan increases.

Figure 38

Number of Persons that Can be Served in
Community Waiver with HB 2 Appropriations

Base and Expansions	FY 2006	FY 2007
FY 2005 Persons Served	2,066	2,066
Executive Proposal	60	100
Legislative Initiative	22	34
Total Number Appropriation	2,148	2,200
Will Support		
Percent Change	4%	6%

Figure 39

2005 Biennium Compared to 2007 Biennium
Senior and Long Term Care Division

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Difference	Percent Change
FTE	193.44	192.79		(0.65)	
Personal Services	\$14,591,839	\$16,552,052	4%	\$1,960,213	13%
Operating	10,137,142	11,642,882	3%	1,505,740	15%
Equipment	147,230	223,072	0%	75,842	52%
Grants	14,376,499	16,463,302	4%	2,086,803	15%
Benefits/Claims	371,926,336	411,684,193	90%	39,757,857	11%
Debt Service	33,638	31,824	0%	(1,814)	-5%
Total Costs	\$411,212,684	\$456,597,325	100%	\$45,384,641	11%
General Fund	\$80,632,162	\$98,135,562	21%	\$17,503,400	22%
State Special	33,790,229	45,666,479	10%	11,876,250	35%
Federal Funds	296,790,293	312,795,284	69%	16,004,991	5%
Total Funds	\$411,212,684	\$456,597,325	100%	\$45,384,641	11%

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table					
		Senior & Long-Term Care					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 37,464,018	19.2%	\$ 50,136,180	21.5%	\$ 47,999,382	21.5%
	01100 General Fund	37,464,018	19.2%	50,136,180	21.5%	47,999,382	21.5%
02000	Total State Special Funds	14,355,230	7.4%	22,819,932	9.8%	22,846,547	10.2%
	02023 Private Ins. Medicaid Reim.-Ve	2,385,912	1.2%	2,785,350	1.2%	2,886,651	1.3%
	02032 Vets-I&I Lease	5,000	0.0%	5,000	0.0%	5,000	0.0%
	02053 Medicaid Nursing Home Match	5,250,731	2.7%	7,264,270	3.1%	8,441,549	3.8%
	02260 Cigarette Tax Revenue	2,078,149	1.1%	2,669,719	1.1%	2,535,982	1.1%
	02497 6901-Lien & Estate - Sltd	384,887	0.2%	407,232	0.2%	407,863	0.2%
	02772 Tobacco Hlth & Mediced Initiative	-	-	4,281,974	1.8%	3,138,428	1.4%
	02782 69010-Csb Conference	22,518	0.0%	22,518	0.0%	22,518	0.0%
	02783 6901-Traumatic Brain Injury Dn	-	-	8,117	0.0%	8,117	0.0%
	02796 69010-Governor'S Conf On Aging	24,771	0.0%	24,771	0.0%	24,771	0.0%
	02987 Tobacco Interest	703,779	0.4%	703,779	0.3%	703,779	0.3%
	02990 69010-Nursing Home Utilization	3,499,483	1.8%	4,647,202	2.0%	4,671,889	2.1%
03000	Total Federal Special Funds	143,001,063	73.4%	160,309,819	68.7%	152,485,465	68.3%
	03005 Emvh V-A Nursing Reimbursement	1,139,545	0.6%	1,287,423	0.6%	1,311,441	0.6%
	03073 Aging - Farmers Market	36,786	0.0%	36,786	0.0%	36,786	0.0%
	03112 Vets-V.A. Reimb	1,706,361	0.9%	2,153,606	0.9%	2,289,524	1.0%
	03501 64.014 - Vets St. Domic Care I	59,081	0.0%	92,472	0.0%	94,322	0.0%
	03514 10.570 - Elderly Feeding 100%	649,304	0.3%	649,304	0.3%	649,304	0.3%
	03515 93.041 - Elder Abuse Prev 100%	26,288	0.0%	26,288	0.0%	26,288	0.0%
	03516 93.042 - Ombudsman Activity 10	66,141	0.0%	66,141	0.0%	66,141	0.0%
	03517 93.043 - Preventive Hlth 100%	108,496	0.1%	108,496	0.0%	108,496	0.0%
	03518 93.044 - Aging Sup S & Train I	1,821,802	0.9%	1,818,966	0.8%	1,827,035	0.8%
	03519 93.045 - Aging Meals 100%	2,665,181	1.4%	2,667,972	1.1%	2,672,447	1.2%
	03537 93.779 - Hlth Info Counseling	166,064	0.1%	167,462	0.1%	169,695	0.1%
	03579 93.667 - Ssb - Benefits	297,975	0.2%	297,975	0.1%	297,975	0.1%
	03580 6901-93.778 - Med Adm 50%	1,287,295	0.7%	1,407,637	0.6%	1,437,043	0.6%
	03583 93.778 - Med Ben Fmap	131,692,083	67.6%	148,111,863	63.5%	140,079,864	62.7%
	03666 Aging - Caregiver Iii-E	724,873	0.4%	863,208	0.4%	864,203	0.4%
	03799 6901-Older Worker Program	553,788	0.3%	554,220	0.2%	554,901	0.2%
Grand Total		\$ 194,820,311	100.0%	\$ 233,265,931	100.0%	\$ 223,331,394	100.0%

Long-term care and aging services are funded by a combination of general fund, state special revenue, and federal funds. General fund supports the state share of Medicaid costs, and some adult protective services and aging services functions. Biennial general fund amounts for these functions are:

- o State match for long-term Medicaid services, including administrative costs - \$44 million
- o Aging services, including one-time expansions for Meals on Wheels and in-home caregiver services - \$6 million
- o Adult protective services staff and some emergency services - \$3 million

Major sources of state special revenue, the biennial appropriation and what each pays for are:

- o County funds for state match for the nursing home Medicaid intergovernmental transfer (IGT) – about \$16 million
- o Nursing home bed tax revenues for state match to support additions to nursing home rates above the FY 2003 level – about \$9 million (not including \$9.5 million appropriated in HB 749)
- o Tobacco tax revenues (I-149) used for state Medicaid match to support direct care worker wage increases, an expansion in the community based waiver, and state match for Medicaid hospice and home health therapy services – about \$7 million
- o Cigarette taxes for veterans' services, predominantly the cost of operating the two Montana veterans' homes – about \$5 million
- o Payments by veterans for their care in veterans' nursing homes – about \$5 million
- o Interest income from the tobacco settlement funds constitutional trust for state match for Medicaid – about \$1 million
- o Recoveries for a portion of long-term care costs from liens and estates used for adult protective services – about \$1 million

- Conference fees to pay part of aging conferences and donations for traumatic brain injury services – all together about \$0.1 million

Federal funds support 69 percent of the 2007 biennium appropriation. Federal Medicaid matching funds for services and administration are the single largest funding source for SLTC supporting 63 percent (\$288 million) of the total biennial appropriation. Other federal funding sources, what each pays for, and the biennial appropriations are:

- Aging grants for other services including funds for care giver, ombudsman, older worker, preventive health, health counseling, training, abuse prevention, administration of community services agencies, and farmers' market services – about \$8 million
- Grants for meals and feeding services for elderly – about \$7 million
- Veterans' administration payments for veterans' home services – about \$7 million

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Each present law adjustment and new proposal will be discussed in the subprogram or function budget for this division.

Present Law Adjustments

Present Law Adjustments	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,059,103					1,073,502
Vacancy Savings					(317,510)					(318,087)
Inflation/Deflation					5,862					3,894
Fixed Costs					126,450					93,371
Total Statewide Present Law Adjustments					\$873,905					\$852,680
DP 16 - Medicaid Caseload - Home Based Services										
0.00	1,126,672	0	2,104,065	3,230,737	0.00	1,380,631	0	2,626,745	4,007,376	
DP 21 - Medicaid Caseload - Nursing Homes										
0.00	(438,545)	0	(1,058,707)	(1,497,252)	0.00	(893,443)	0	(2,092,664)	(2,986,107)	
DP 22 - State Supplement Caseload Increase										
0.00	32,448	0	0	32,448	0.00	32,448	0	0	32,448	
DP 24 - FMAP Enhancement Adjustment - Nursing Homes										
0.00	2,972,470	0	(2,972,470)	0	0.00	2,972,470	0	(2,972,470)	0	
DP 27 - FMAP Enhancement Adjustment - Home Based Services										
0.00	569,730	0	(569,730)	0	0.00	569,730	0	(569,730)	0	
DP 28 - FMAP Enhancement Adjustment - Waiver Services										
0.00	507,274	0	(507,274)	0	0.00	507,274	0	(507,274)	0	
DP 30 - FMAP Adjustment - Nursing Homes										
0.00	2,447,917	0	(2,447,917)	0	0.00	3,182,292	0	(3,182,292)	0	
DP 33 - FMAP Adjustment - Home Based Services										
0.00	490,189	0	(490,189)	0	0.00	615,730	0	(615,730)	0	
DP 34 - FMAP Adjustment - Waiver Services										
0.00	417,755	0	(417,755)	0	0.00	543,081	0	(543,081)	0	
DP 88 - Annualize IIB 705 Nursing Home Fee										
0.00	0	1,147,719	2,770,749	3,918,468	0.00	0	1,172,406	2,746,062	3,918,468	
DP 89 - County Nursing Home IGT Increase										
0.00	0	1,353,125	3,266,626	4,619,751	0.00	0	2,440,928	5,717,254	8,158,182	
DP 91 - FMAP Enhancement Adjustment - Nursing Home IGTs										
0.00	0	362,163	(362,163)	0	0.00	0	362,163	(362,163)	0	
DP 93 - Montana Veterans' Home Adjustments										
0.00	0	295,821	0	295,821	0.00	0	295,821	0	295,821	
DP 94 - FMAP Adjustment - County Nursing Home IGTs										
0.00	0	298,251	(298,251)	0	0.00	0	387,727	(387,727)	0	
DP 106 - Annualize Traumatic Brain Injury Funds										
0.00	0	8,117	0	8,117	0.00	0	8,117	0	8,117	
DP 173 - Increased Funding For Caregiver Program										
0.00	0	0	137,721	137,721	0.00	0	0	137,721	137,721	
DP 175 - Additional Funding-Eastern Montana Veterans' Home										
0.00	0	0	148,236	148,236	0.00	0	0	172,254	172,254	
DP 9999 - Statewide FTE Reduction										
0.00	(36,959)	0	0	(36,959)	0.00	(37,183)	0	0	(37,183)	
Total Other Present Law Adjustments										
0.00	\$8,088,951	\$3,465,196	(\$697,059)	\$10,857,088	0.00	\$8,873,030	\$4,667,162	\$166,905	\$13,707,097	
Grand Total All Present Law Adjustments					\$11,730,993					\$14,559,777

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 81 - Expand Community Based Services Waiver										
22	0.00	447,173	28,248	1,147,728	1,623,149	0.00	0	797,581	1,868,134	2,665,715
DP 95 - Montana Veterans' Home Contingency Fund Line Item										
22	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 114 - Personal Assistance Base Restoration										
22	0.00	223,196	0	538,825	762,021	0.00	227,997	0	534,024	762,021
DP 116 - Montana Veterans' Home Replacement Vehicles										
22	0.00	0	85,000	0	85,000	0.00	0	0	0	0
DP 118 - Eastern Montana Veterans' Home Flooring										
22	0.00	0	37,112	0	37,112	0.00	0	0	0	0
DP 3004 - Hospice and Home Therapy										
22	0.00	0	204,000	0	204,000	0.00	0	204,000	0	204,000
DP 3203 - Annualize the Cost of FY 2005 Waiver Expansion										
22	0.00	468,386	0	1,130,746	1,599,132	0.00	478,460	0	1,120,672	1,599,132
DP 3607 - Meals On Wheels (Restricted/OTO)										
22	0.00	567,000	0	0	567,000	0.00	567,000	0	0	567,000
DP 3608 - In-home Caregiver Services (Biennial/Restricted/O										
22	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 3609 - Direct Care Worker Wage Increase										
22	0.00	1,000,000	3,000,000	9,656,538	13,656,538	0.00	0	0	0	0
DP 3620 - Veterans' Long-Term Health Care Needs Study										
22	0.00	0	50,000	0	50,000	0.00	0	0	0	0
DP 3705 - Provider Rate Increase-Nursing Home/Comm Svcs										
22	0.00	991,877	991,878	4,789,051	6,772,806	0.00	0	2,018,663	4,728,205	6,746,868
DP 3706 - Community Services HCBS Expansion										
22	0.00	0	57,848	139,908	197,756	0.00	0	118,184	279,816	398,000
DP 3749 - Montana Veterans' Home - Nursing Bed Fee										
22	0.00	0	41,159	19,841	61,000	0.00	0	70,861	33,710	104,571
DP 6010 - 2007 Biennium Pay Plan										
22	0.00	65,526	107,000	76,587	249,113	0.00	168,979	283,430	201,590	653,999
Total	0.00	\$4,363,158	\$4,852,245	\$17,499,224	\$26,714,627	0.00	\$1,442,436	\$3,742,719	\$8,766,151	\$13,951,306

Language

The legislature approved the following language for inclusion in HB 2. The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

“Senior and Long Term Care Division includes funds to address the difficulty in recruitment and retention of direct care staff at the Montana Veterans’ Home. The legislature directs the department to aggressively pursue options to resolve the problem of recruitment and retention of staff for the Montana Veterans’ Home, including consideration of such options as moving to pay plan 20, innovative education plans to promote advancement of staff, and partnership with the university system to provide local education opportunities for direct care staff. *The department shall present its plan to resolve this issue to the Legislative Finance Committee by September 1, 2005, with a follow-up report on progress toward resolution of the problem of recruitment and retention of direct care staff for the Montana Veterans’ Home by September 1, 2006.*

The appropriation in Montana Veterans' Home Contingency may be established subject to a determination by the Office of Budget and Program Planning that federal and private revenue available from federal special revenue and private payment state special revenue appropriations in fiscal year 2006 or fiscal year 2007 are insufficient to operate the homes at capacity to maximize collection of federal and private payments. The office of budget and program planning shall notify the legislative finance committee if it determines that the conditions are met and when the appropriation becomes effective.

County Nursing Home IGT may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the office

of budget and program planning has certified that the department has received at least \$1.6 million each year from counties participating in the intergovernmental transfer program for nursing homes.

Children's Mental Health Increase (Biennial/Restricted) and Direct Care Worker Wage Increase (Biennial/Restricted) must be used for direct-care worker wage increases. The department shall provide documentation showing that these funds are used solely for direct-care worker wage increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. The legislature intends that direct-care salaries be raised 75 cents an hour and that benefits be raised 26 cents an hour. If the appropriation is insufficient to cover the full amount of intended increases, the lowest paid direct-care worker wage rates must be increased first. The department may also apply funds approved by the legislature to provide a 6% rate increase for children's mental health providers in fiscal year 2006 if funds in item [children's mental health rate increase] are insufficient to raise direct-care worker wage rates by the intended amount. The department shall prepare a report summarizing initial direct-care wages paid by July 1, 2005, for the members of the 2005 legislative joint appropriations subcommittee on health and human services, and shall report again by July 1, 2006, and January 1, 2007, showing direct-care wages paid at those points in time.

Funds in In-home Caregiver Services (Biennial/Restricted/OTO) may be used only to contract with local agencies for assistance to in-home caregivers. Funds in item In-home Caregiver Services (Biennial/Restricted/OTO) may not be used for state matching funds for medicaid-funded services.

Funding in Study of Veterans' Long-Term Health Care Needs (Biennial/Restricted/OTO) may be used by the department only to perform an analysis related to veterans' long-term care needs. The funds must be used to determine demographics of the Montana veterans' population, including the number and age of veterans in each county and the type of long-term care needs of the population. The long-term care assessment for veterans must include evaluation of the need for nursing home, domiciliary, and Alzheimer services as well as various types of community and in-home care that are needed. The study must also evaluate existing veterans' home services and configuration of those services with respect to the needs identified. *The department shall provide the results of the study to the legislative finance committee by September 1, 2006.*

Medicaid Services Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00	18.00
Personal Services	755,642	155,577	0	911,219	156,511	0	912,153	1,823,372
Operating Expenses	1,080,064	7,787	0	1,087,851	7,798	0	1,087,862	2,175,713
Equipment	7,100	0	0	7,100	0	0	7,100	14,200
Benefits & Claims	174,604,707	10,271,704	24,815,402	209,691,813	13,097,919	12,375,736	200,078,362	409,770,175
Debt Service	5,126	0	0	5,126	0	0	5,126	10,252
Total Costs	\$176,452,639	\$10,435,068	\$24,815,402	\$211,703,109	\$13,262,228	\$12,375,736	\$202,090,603	\$413,793,712
General Fund	34,012,784	8,152,786	3,130,632	45,296,202	8,937,505	706,457	43,656,746	88,952,948
State/Other Special	9,639,499	3,169,375	4,281,974	17,090,848	4,371,341	3,138,428	17,149,268	34,240,116
Federal Special	132,800,356	(887,093)	17,402,796	149,316,059	(46,618)	8,530,851	141,284,589	290,600,648
Total Funds	\$176,452,639	\$10,435,068	\$24,815,402	\$211,703,109	\$13,262,228	\$12,375,736	\$202,090,603	\$413,793,712

Medicaid Services

The Medicaid services function includes appropriations for nursing home, community, and home based services as well as administrative functions. Appropriations for Medicaid services received by individuals are 89 percent of the total division appropriation \$456.6 million, while direct administrative costs for these services is about 1 percent of the appropriation.

Legislative appropriation increases predominantly supported provider rate increases, with some expansion in community based waiver services. General fund appropriations increased about \$14.5 million and federal funds supporting Medicaid services declined by the same amount due to increases in the state Medicaid match rate. The impact of the matching rate change funding switch and low caseload growth are reflected in the amount shown for present law changes in federal funds, which show a negative adjustment in each year of the 2007 biennium.

Figure 40 shows the total Medicaid appropriation by individual service, and each appropriation change approved by the legislature. Figure 40 also includes appropriations made in HB 749, which raised the nursing home daily fee during the 2007 biennium, so the totals in Figure 40 will not tie to the main table for Medicaid services. Nursing home services received 72 percent of the FY 2007 appropriation increases for Medicaid services, while home based services received 16 percent and community waiver services got 12 percent.

Figure 40

Senior and Long Term Care Division 2007 Biennium Medicaid HB 2 and HB 749 Appropriation by Component, Purpose, and Total									
Medicaid Services	FY 2006				FY 2007				% of
Present Law and New Proposals	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Change
Nursing Home Services									
<u>FY 2004 Base Budget</u>	\$23,899,235	\$4,977,388	\$87,690,839	\$116,567,462	\$23,899,235	\$4,977,388	\$87,690,839	\$116,567,462	
DP 21 - Caseload Change	(\$438,545)	\$0	(\$1,058,707)	(\$1,497,252)	(\$893,443)	\$0	(\$2,092,664)	(\$2,986,107)	-6%
DP 24 - Enhanced Federal Match Rate	2,972,470	0	(2,972,470)	0	2,972,470	0	(2,972,470)	0	0%
DP 30 - FMAP Adj. - 2007 Biennium	2,447,917	0	(2,447,917)	0	3,182,292	0	(3,182,292)	0	0%
DP 88 - HB705 - Annualize NH Fee	0	1,147,719	2,770,749	3,918,468	0	1,172,406	2,746,062	3,918,468	8%
DP 89 - County Nursing Home IGT	0	1,353,125	3,266,626	4,619,751	0	2,440,928	5,171,254	7,612,182	16%
DP 91 - Enhanced Federal Match Rate - IGT	0	362,163	(362,163)	0	0	362,163	(362,163)	0	0%
DP 94 - FMAP Adj. - 2007 Biennium - IGT	0	298,251	(298,251)	0	0	387,727	(387,727)	0	0%
DP 3609 - Direct Care Worker Wages	765,000	910,294	4,044,386	5,719,680	0	0	0	0	0%
DP 3705 - Direct Care Worker Wage Incr.	208,294	201,824	990,080	1,400,198	0	418,939	981,258	1,400,197	3%
DP 3705 - Provider Rate Increase	535,614	528,224	528,224	1,592,062	0	1,066,497	2,497,998	3,564,495	8%
HB 749 - Bed Tax Increase	0	3,500,000	8,469,312	11,969,312	0	6,000,000	14,087,186	20,087,186	43%
Subtotal Appropriation Changes	\$6,490,750	\$8,301,601	\$12,929,869	\$27,722,219	\$5,261,319	\$11,848,660	\$16,486,443	\$33,596,422	72%
Total Nursing Home Appropriation	\$30,389,985	\$13,278,989	\$100,620,708	\$144,289,681	\$29,160,554	\$16,826,048	\$104,177,282	\$150,163,884	
Percent Increase Over Base Budget	27%	167%	15%	24%	22%	238%	19%	29%	
Home Based Services - Entitlement									
<u>FY 2004 Base Budget</u>	\$4,386,083	\$999,999	\$17,168,128	\$22,554,210	\$4,386,083	\$999,999	\$17,168,128	\$22,554,210	
DP 16 - Caseload Change	\$1,126,672	\$0	\$2,104,065	\$3,230,737	\$1,380,631	\$0	\$2,626,745	\$4,007,376	9%
DP 27 - Enhanced Federal Match Rate	569,730	0	(569,730)	0	569,730	0	(569,730)	0	0%
DP 33 - FMAP Adj. - 2007 Biennium	490,189	0	(490,189)	0	615,730	0	(615,730)	0	0%
DP 114 - Personal Assistance Base	223,196	0	538,825	762,021	227,997	0	534,024	762,021	2%
DP 3004 - PSA - Hospice/Home Therapy	0	204,000	0	204,000	0	204,000	0	204,000	0%
DP 3609 - Direct Care Worker Wages	92,591	292,155	928,828	1,313,574	0	408,742	957,375	1,366,117	3%
DP 3705 - Direct Care Worker Wage Incr.	25,030	78,977	251,085	355,091	0	110,493	258,803	369,296	1%
DP 3705 - Provider Rate Increase	\$0,463	\$59,226	\$06,218	\$75,907	0	\$218,055	\$10,740	\$728,795	2%
Subtotal Appropriation Changes	\$2,577,871	\$734,357	\$3,269,102	\$6,581,330	\$2,794,088	\$941,291	\$3,702,226	\$7,437,605	16%
Total Home Based Appropriation	\$6,963,954	\$1,734,356	\$20,437,230	\$29,135,540	\$7,180,171	\$1,941,290	\$20,870,354	\$29,991,815	
Percent Increase Over Base Budget	59%	73%	19%	29%	64%	94%	22%	33%	
Community Services Waiver - Nonentitlement									
<u>FY 2004 Base Budget</u>	\$4,871,238	\$0	\$15,021,851	\$19,893,089	\$4,871,238	\$0	\$15,021,851	\$19,893,089	
DP 24 - Enhanced Federal Match Rate	\$507,274	\$0	(\$507,274)	\$0	\$507,274	\$0	(\$507,274)	\$0	0%
DP 34 - FMAP Adj. - 2007 Biennium	417,755	0	(417,755)	0	543,081	0	(543,081)	0	0%
DP 81 - Additional Clients - Waiver	447,173	28,248	1,147,728	1,623,149	0	797,581	1,868,134	2,665,715	6%
DP 3203 - Annualize FY 2005 Waiver Exp	468,386	0	1,130,746	1,599,132	478,460	0	1,120,672	1,599,132	3%
DP 3609 - Direct Care Worker Wages	19,723	62,232	197,852	279,807	0	83,718	196,089	279,807	1%
DP 3705 - Direct Care Worker Wages	5,127	16,176	51,427	72,730	0	22,631	53,009	75,640	0%
DP 3705 - Provider Rate Increase	42,067	132,734	421,992	596,793	0	182,046	426,398	608,444	1%
DP 3706 - Waiver Expansion - I-149	0	\$7,848	\$39,908	\$197,756	0	\$119,082	\$278,918	\$398,000	1%
Subtotal Appropriation Changes	\$1,907,504	\$297,238	\$2,164,624	\$4,369,367	\$1,528,815	\$1,205,059	\$2,892,864	\$5,626,738	12%
Total Waiver Appropriation	\$6,778,742	\$297,238	\$17,186,475	\$24,262,456	\$6,400,053	\$1,205,059	\$17,914,715	\$25,519,827	
Percent Increase Over Base Budget	39%	0%	14%	22%	31%	0%	19%	28%	
Total Medicaid Services - Senior and Long Term Care									
<u>Base Budget</u>	\$33,156,556	\$5,977,387	\$119,880,818	\$159,014,761	\$33,156,556	\$5,977,387	\$119,880,818	\$159,014,761	
Present Law Adjustments - Caseload	\$1,156,513	\$0	\$2,176,104	\$3,332,617	\$965,648	\$0	\$1,654,753	\$2,620,401	6%
Present Law Due to Fed Match Change	7,405,335	660,414	(8,065,749)	0	8,390,577	749,890	(9,140,467)	0	0%
PL and New Proposals for Provider Rates	1,743,908	8,382,686	22,426,779	32,553,373	0	12,124,457	27,886,170	40,010,628	86%
Other New Proposals	670,362	290,096	1,826,461	2,786,926	227,997	1,120,663	2,681,076	4,029,736	92%
Subtotal Appropriation Changes	\$10,976,125	\$9,333,196	\$18,363,595	\$38,672,916	\$9,584,222	\$13,995,010	\$23,081,533	\$46,660,765	100%
Grand total Annual Appropriation	\$44,132,681	\$15,310,583	\$138,244,413	\$197,687,677	\$42,740,778	\$19,972,397	\$142,962,351	\$203,675,526	
Percent Increase Over Base Budget	33%	156%	15%	24%	29%	234%	19%	29%	
Grand Total Biennial Increase					\$20,560,347	\$23,328,206	\$41,445,128	\$85,333,681	

Nursing home services also received the lion's share of provider rate and direct care worker wage increase appropriations. Excluding funding switches to account for the federal Medicaid match reduction, the funding increases appropriated for nursing home services exclusively support rate increases. Nursing home caseload adjustments were reductions to the base level appropriation, since the total Medicaid days of care are projected to continue to gradually decline.

Nursing home appropriations for direct care worker wage increases account for 3 percent of the FY 2007 appropriation increase. Direct care worker and provider rate increases for community services received 5 percent of the funds appropriated for 2007 biennium rate increases.

Caseload changes received 6 percent of the FY 2007 appropriation increase. Service expansions for the community based waiver receive 9 percent.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				226,338					227,432
Vacancy Savings				(39,279)					(39,325)
Inflation/Deflation				(330)					(319)
Total Statewide Present Law Adjustments				\$186,729					\$187,788
DP 16 - Medicaid Caseload - Home Based Services									
0.00	1,126,672	0	2,104,065	3,230,737	0.00	1,380,631	0	2,626,745	4,007,376
DP 21 - Medicaid Caseload - Nursing Homes									
0.00	(438,545)	0	(1,058,707)	(1,497,252)	0.00	(893,443)	0	(2,092,664)	(2,986,107)
DP 24 - FMAP Enhancement Adjustment - Nursing Homes									
0.00	2,972,470	0	(2,972,470)	0	0.00	2,972,470	0	(2,972,470)	0
DP 27 - FMAP Enhancement Adjustment - Home Based Services									
0.00	569,730	0	(569,730)	0	0.00	569,730	0	(569,730)	0
DP 28 - FMAP Enhancement Adjustment - Waiver Services									
0.00	507,274	0	(507,274)	0	0.00	507,274	0	(507,274)	0
DP 30 - FMAP Adjustment - Nursing Homes									
0.00	2,447,917	0	(2,447,917)	0	0.00	3,182,292	0	(3,182,292)	0
DP 33 - FMAP Adjustment - Home Based Services									
0.00	490,189	0	(490,189)	0	0.00	615,730	0	(615,730)	0
DP 34 - FMAP Adjustment - Waiver Services									
0.00	417,755	0	(417,755)	0	0.00	543,081	0	(543,081)	0
DP 88 - Annualize HB 705 Nursing Home Fee									
0.00	0	1,147,719	2,770,749	3,918,468	0.00	0	1,172,406	2,746,062	3,918,468
DP 89 - County Nursing Home IGT Increase									
0.00	0	1,353,125	3,266,626	4,619,751	0.00	0	2,440,928	5,717,254	8,158,182
DP 91 - FMAP Enhancement Adjustment - Nursing Home IGTs									
0.00	0	362,163	(362,163)	0	0.00	0	362,163	(362,163)	0
DP 94 - FMAP Adjustment - County Nursing Home IGTs									
0.00	0	298,251	(298,251)	0	0.00	0	387,727	(387,727)	0
DP 106 - Annualize Traumatic Brain Injury Funds									
0.00	0	8,117	0	8,117	0.00	0	8,117	0	8,117
DP 9999 - Statewide FTE Reduction									
0.00	(31,482)	0	0	(31,482)	0.00	(31,596)	0	0	(31,596)
Total Other Present Law Adjustments									
0.00	\$8,061,980	\$3,169,375	(\$983,016)	\$10,248,339	0.00	\$8,846,169	\$4,371,341	(\$143,070)	\$13,074,440
Grand Total All Present Law Adjustments				\$10,435,068					\$13,262,228

DP 16 - Medicaid Caseload - Home Based Services - The legislature approved the executive request for \$7.2 million total funds, including \$2.5 million general fund, over the biennium for Medicaid caseload growth in the home based services program. This service array includes the hospice, home health, and personal assistance benefits. Caseload estimates grow about 3 percent annually due to demographic trends and increased utilization of these services.

DP 21 - Medicaid Caseload - Nursing Homes - The legislature accepted legislative staff estimates of nursing home costs, reducing the executive request \$1.3 million general fund (\$4.5 million total funds) over the biennium. The legislative staff estimates are based on a 1 percent annual decline in the number of days of care each year of the 2007 biennium, starting from the FY 2005 estimate. Both the executive and legislative estimates were based on the same federal and state share of the nursing home rate - \$97.38. The other two components of the total Medicaid payment for nursing home services includes the patient contribution and an add on from the county IGT. Currently the program provides services to about 5,250 people each year (unduplicated count). The legislature applied the general fund savings that resulted from adoption of the legislative estimates to the home and community based waiver program to provide additional services (see DP 81).

DP 24 - FMAP Enhancement Adjustment - Nursing Homes - The federal Jobs and Growth Tax Relief Reconciliation Act authorized a temporary increase of about 3 percent in the federal Medicaid match rate during FY 2004 and therefore a like state match decrease. The legislature added nearly \$5.9 million general fund over the biennium for nursing home services, with an offsetting decrease in federal funds, to reflect the removal of the enhanced federal match rate in FY 2006 and FY 2007. DP 27, DP 28, and DP 91 also adjust for one-time federal match rate changes to fund Medicaid home based and community waiver services.

DP 27 - FMAP Enhancement Adjustment - Home Based Services - The legislature added \$1 million general fund over the biennium, with an offsetting decrease in federal funds, to reflect the termination of the enhanced federal Medicaid match rate in FY 2006 and FY 2007 for home based services. DP 24, DP 28, and DP 91 make similar adjustments for the other Medicaid services administered by this division.

DP 28 - FMAP Enhancement Adjustment - Waiver Services - The legislature added about \$1.1 million general fund over the biennium for community based waiver services, with an offsetting decrease in federal funds, to reflect the removal of the enhanced federal match rate in FY 2006 and FY 2007. DP 24, DP 27, and DP 91 are similar and show match rate changes for each Medicaid service administered by the division.

DP 30 - FMAP Adjustment - Nursing Homes - The legislature added \$5.6 million general fund over the biennium for nursing home services, with an offsetting decrease in federal funds, due to projected changes in the federal Medicaid match rates for FY 2006 and FY 2007. Federal match rates are adjusted annually based on changes in a state's per capita income compared changes in national per capita income. DP 33, 34, and 94 are similar, in that each one requests an increase in general fund and a reduction in federal funds for the annual change in the federal Medicaid match rate for the three Medicaid services administered by SLTC.

DP 33 - FMAP Adjustment - Home Based Services - The legislature added about \$1.0 million general fund over the biennium for home based services, with an offsetting decrease in federal funds, due to change in the federal Medicaid match rate for FY 2006 and FY 2007. DP 30, 34, and 94 are similar, in that each one requests an increase in general fund and a reduction in federal funds for the change in the federal Medicaid match rate for the three Medicaid services administered by SLTC.

DP 34 - FMAP Adjustment - Waiver Services - The legislature approved about \$1.0 million general fund over the biennium for waiver services, with an offsetting decrease in federal funds, due to annual changes in the federal Medicaid match rate for FY 2006 and FY 2007. DP 30, 33, and 94 are similar, in that each one requests an increase in general fund and a reduction in federal funds for the change in the federal Medicaid match rate for the three Medicaid services administered by SLTC.

DP 88 - Annualize HB 705 Nursing Home Fee - The legislature approved the executive request for \$7.8 million, including \$2.3 million state special revenue, over the biennium for the FY 2005 increase in the daily nursing home rate due to the increase in the nursing home bed tax. The fee, authorized by 15-60-102(1)(b) and (c), MCA (HB 705 in the 2003 session), may only be used to pay nursing home rates in excess of the rate paid in FY 2003 (15-60-211(2), MCA), which was \$83.65 for the state/federal share. The anticipated revenue in FY 2005 is estimated to provide an additional \$4 per day above the rate paid in FY 2004. The Medicaid nursing home base rate, as revised in February 2005, was \$94.26 in FY 2004 and is expected to rise to \$97.38 in FY 2006, not including patient contribution or Intergovernmental Transfer (IGT) revenue. Bed tax rates and deposit of revenue authorized in statute are as follows:

- o \$2.80 per day – deposited to the general fund
- o Effective FY 2004 an additional \$1.70 - deposited to the state special revenue account for a total daily rate of \$4.50
- o Effective FY 2005 an additional \$0.80 - deposited to the state special revenue account for a total daily rate of \$5.30

DP 89 - County Nursing Home IGT Increase - The legislature approved the executive request for \$13 million over the biennium for the increase between FY 2004 and FY 2005 in Intergovernmental Transfer (IGT) revenue for nursing homes. The IGT program was originally authorized by the 2001 Legislature. \$4 million of the total is derived from state special revenue from local governments that support county nursing homes and participate in the IGT program, with the remainder from federal funding. The legislature restricted the appropriation for use only for a county nursing home IGT.

DP 91 - FMAP Enhancement Adjustment - Nursing Home IGTs - The federal Jobs and Growth Tax Relief Reconciliation Act temporarily increased the federal Medicaid match rate about 3 percent in FY 2004. The legislature added \$724,326 county state special revenue over the biennium for the county nursing IGT, with an offsetting decrease in federal funds, to reflect the removal of the enhanced federal match rates in FY 2006 and FY 2007. DP 24, DP 27, and DP 28 are similar.

DP 94 - FMAP Adjustment - County Nursing Home IGTs - The legislature added \$0.7 million state special over the biennium for the nursing home IGT, with an offsetting decrease in federal funds, due to projected reductions in the federal Medicaid match rates in FY 2006 and FY 2007. DP 30, DP 34, and DP 33 are similar.

DP 106 - Annualize Traumatic Brain Injury Funds - The legislature added \$16,000 state special revenue over the biennium to annualize revenue and expenditures from HB 698, which was passed in the 2003 legislative session and became effective on January 1, 2004. Revenue is received from a check off on license plate renewals (61-3-303(1)(f), MCA) and is used to support an advisory council on traumatic brain injury.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive proposal to reduce funding equivalent to the reductions taken in the 2003 legislative session, but did not accept the reduction in FTE slots as proposed.

New Proposals

New Proposals		Fiscal 2006					Fiscal 2007				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 81 - Expand Community Based Services Waiver 01	0.00	447,173	28,248	1,147,728	1,623,149		0.00	0	797,581	1,868,134	2,665,715
DP 114 - Personal Assistance Base Restoration 01	0.00	223,196	0	538,825	762,021		0.00	227,997	0	534,024	762,021
DP 3004 - Hospice and Home Therapy 01	0.00	0	204,000	0	204,000		0.00	0	204,000	0	204,000
DP 3203 - Annualize the Cost of FY 2005 Waiver Expansion 01	0.00	468,386	0	1,130,746	1,599,132		0.00	478,460	0	1,120,672	1,599,132
DP 3609 - Direct Care Worker Wage Increase 01	0.00	1,000,000	3,000,000	9,656,538	13,656,538		0.00	0	0	0	0
DP 3705 - Provider Rate Increase-Nursing Home/Comm Svcs 01	0.00	991,877	991,878	4,789,051	6,772,806		0.00	0	2,018,663	4,728,205	6,746,868
DP 3706 - Community Services HCBS Expansion 01	0.00	0	57,848	139,908	197,756		0.00	0	118,184	279,816	398,000
Total	0.00	\$3,130,632	\$4,281,974	\$17,402,796	\$24,815,402		0.00	\$706,457	\$3,138,428	\$8,530,851	\$12,375,736

DP 81 - Expand Community Based Services Waiver - The legislature accepted and increased the executive proposal to expand the home and community based waiver, which allows the division to provide Medicaid funded community services to persons who meet nursing home level of care standards. The original executive proposal provided services for about 50 persons in FY 2006 and 30 more persons in FY 2007. Additional funds added by the legislature will serve 22 more persons in FY 2006 (a total of 72) and 12 more persons in FY 2007 (a total of 112).

The legislature appropriated about \$4.3 million over the biennium, including \$0.8 million in state special revenue from I-149 funds, and \$0.5 million general fund to support growth in community services. The legislature accepted the legislative estimate of nursing home costs, which was lower than the revised executive estimate. The difference between the estimates was applied to expand the home and community based waiver.

DP 114 - Personal Assistance Base Restoration - The legislature approved the executive request for \$1.5 million over the biennium, including about \$0.5 million general fund, to support personal care providers and, to a lesser extent, direct care wages for caregivers at the FY 2005 funding level. The 2003 Legislature used a one-time diversion from changes made to state special revenue corporation tax (water's edge corporation tax) through HB 721 to provide such services and payments during the 2005 biennium. After June 30, 2005, this source of revenue will be deposited to the general fund.

DP 3004 - Hospice and Home Therapy - The legislature accepted the executive request to add \$408,000 in I-149 tobacco tax state special revenue funds over the biennium to continue Medicaid hospice and home therapy at the level of the 2005 biennium. During the 2005 biennium, these services were funded through a one-time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485).

DP 3203 - Annualize the Cost of FY 2005 Waiver Expansion - The legislature accepted the executive proposal to annualize the waiver expansion implemented in December 2004, when the division moved 76 persons from nursing homes into community services. The cost of this proposal totals about \$3.2 million over the biennium, including \$0.9 million general fund. The executive budget did not originally include a separate decision point for the waiver expansion because it was implemented in December 2004 after the executive budget was final. The legislature wanted to ensure that appropriations for the 2007 biennium were structured to reflect community services levels funded by the legislature.

DP 3609 - Direct Care Worker Wage Increase - The legislature added \$4.0 million state matching funds and nearly \$10 million in federal Medicaid funds over the biennium for direct care worker wage increases, which includes \$2.6 million general fund and \$1.4 million in cigarette tax revenue generated by I-149. The funds are to be used to raise the wages of direct care workers by 75 cents an hour in salary and 26 cents an hour in benefits. If the funds are insufficient to raise wages and benefits by that amount, the lowest paid workers are to receive the largest wage increases. The legislature also required the department to document the initial wage rates compared to wage rates after the increase is implemented

and to report its documentation and findings to the Legislative Finance Committee. The Senior and Long Term Care Division appropriation is contingent on implementation of this increase by July 15, 2005.

This appropriation is in addition to the amount included in DP 3705, which includes a 3 percent provider rate increase for nursing homes and community services providers and a direct care worker wage increase of 16 cents an hour with an increase of 5 cents an hour for benefits.

During legislative consideration of HB 2, the legislature removed language from HB 2 that made the main division appropriation for Senior and Long Term Care, as well as two other divisions, contingent upon implementation and expenditure of the appropriation for this provider rate increase within specified time frames. The legislature did so based on written assurances from the Office of Budget and Program Planning that it would fund provider rate increases as a first priority when estimating the I-149 revenue and determining expenditure changes, if necessary, among various appropriations.

DP 3705 - Provider Rate Increase-Nursing Home/Community Services - The legislature accepted the executive proposal for nursing home and community services provider rate increases for senior and long term care services and approved \$3 million in I-149 state special revenue and \$9.5 million federal funds Medicaid matching funds over the biennium. In order to implement the executive policy to develop a reserve of \$25 million in I-149 funds prior to expenditure of the majority of appropriations from those funds, the legislature also added about \$1 million in general fund to start the provider rate increases July 1, 2005.

This appropriation is anticipated to be sufficient to fund:

- A 3 percent rate increase for nursing homes and community services providers
- A 16 cent an hour raise, plus benefits for direct care worker staff employed by these providers

DP 3706 - Community Services HCBS Expansion - The legislature accepted the executive proposal to fund an increase in home and community based services for senior and long term care. The legislature delayed implementation of the proposal until January 1, 2006. The expansion will add 20 service slots, equivalent to provide services to about 26 additional persons. The legislature added about \$180,000 in state special I-149 funds and \$420,000 in federal Medicaid funds over the biennium.

Veterans' Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	123.69	0.00	0.00	123.69	0.00	0.00	123.69	123.69
Personal Services	3,911,221	639,024	0	4,550,245	651,676	0	4,562,897	9,113,142
Operating Expenses	3,369,274	341,737	348,112	4,059,123	330,168	354,571	4,054,013	8,113,136
Equipment	31,936	0	85,000	116,936	0	0	31,936	148,872
Debt Service	6,034	0	0	6,034	0	0	6,034	12,068
Total Costs	\$7,318,465	\$980,761	\$433,112	\$8,732,338	\$981,844	\$354,571	\$8,654,880	\$17,387,218
State/Other Special	4,413,478	420,691	413,271	5,247,440	354,203	320,861	5,088,542	10,335,982
Federal Special	2,904,987	560,070	19,841	3,484,898	627,641	33,710	3,566,338	7,051,236
Total Funds	\$7,318,465	\$980,761	\$433,112	\$8,732,338	\$981,844	\$354,571	\$8,654,880	\$17,387,218

Veterans' Services

Veterans' services comprise 4 percent of the FY 2007 division appropriation. The program administers the two veterans' homes. The Montana Veterans' Home (MVH) is staffed by state employees and operation of the Eastern Montana Veterans' Home is contracted. The most significant change is in personal services, due to statewide present law adjustments that fully fund FTE and due to adjustments for overtime pay. Fixed cost increases for utilities is also a significant component of state wide present law adjustments. There are two present law appropriations that add about \$450,000 each year to fund increases in medical and other facility costs. Funding in two new proposals supports equipment purchases and continues a one-time restricted appropriation for recruitment and retention of staff and MVH, both funded out of the cigarette tax state special revenue.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
FTE	Fiscal 2006				FTE	Fiscal 2007			
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
Personal Services				584,491					597,665
Vacancy Savings				(179,827)					(180,349)
Inflation/Deflation				9,490					7,385
Fixed Costs				122,550					89,068
Total Statewide Present Law Adjustments				\$536,704					\$513,769
DP 93 - Montana Veterans' Home Adjustments	0.00	0	295,821	295,821	0.00	0	295,821	0	295,821
DP 175 - Additional Funding-Eastern Montana Veterans' Home	0.00	0	148,236	148,236	0.00	0	0	172,254	172,254
Total Other Present Law Adjustments	0.00	\$0	\$295,821	\$444,057	0.00	\$0	\$295,821	\$172,254	\$468,075
Grand Total All Present Law Adjustments				\$980,761					\$981,844

DP 93 - Montana Veterans' Home Adjustments - The legislature approved the executive request for \$591,642 in cigarette tax state special revenue over the biennium for current level services at the Montana Veterans' Home (MVH). These services include holiday worked, overtime, and differential pay to staff a 24-hour a day, 7 day a week facility. These items are zero based and must be requested each biennium. The request also includes increases for drugs, medical services, food, janitorial services and other costs as well as payment of the increased nursing home bed fee.

The legislature added language to HB 2 directing the division to formulate a plan to help recruit and retain direct care staff at the home and to report on the plan and outcomes to the Legislative Finance Committee (LFC). While the Governor vetoed the language requiring the report to be given to the LFC, his veto may be subject to legal challenge.

DP 175 - Additional Funding-Eastern Montana Veterans' Home - The legislature added \$320,490 in federal reimbursement over the biennium due to anticipated increases in the reimbursement received for nursing services from the Veterans' Administration for services at the Eastern Montana Veterans' Home.

New Proposals

New Proposals		Fiscal 2006				Fiscal 2007				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 95 - Montana Veterans' Home Contingency Fund Line Item										
02	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 116 - Montana Veterans' Home Replacement Vehicles										
02	0.00	0	85,000	0	85,000	0.00	0	0	0	0
DP 118 - Eastern Montana Veterans' Home Flooring										
02	0.00	0	37,112	0	37,112	0.00	0	0	0	0
DP 3749 - Montana Veterans' Home - Nursing Bed Fee										
02	0.00	0	41,159	19,841	61,000	0.00	0	70,861	33,710	104,571
Total	0.00	\$0	\$413,271	\$19,841	\$433,112	0.00	\$0	\$320,861	\$33,710	\$354,571

DP 95 - Montana Veterans' Home Contingency Fund Line Item - The legislature approved the executive request to continue a restricted line item appropriation in HB 2 of \$250,000 state special revenue each year. This appropriation was authorized by the 2003 Legislature to allow for operation of the Montana Veterans' Home at a capacity to maximize the collection of federal revenue and private payments. The funds were fully expended in FY 2004.

The legislature added language to HB 2 that allows the Office of Budget and Program Planning to establish the appropriation if funds are necessary to operate the Montana Veterans' Home at the capacity required to maximize federal and private revenue.

DP 116 - Montana Veterans' Home Replacement Vehicles - The legislature approved \$85,000 of cigarette tax state special revenue in FY 2006 to provide funding for the Montana Veterans' Home in Columbia Falls to replace 4 vehicles: 2 vans that provide transportation for staff and clients, and 2 trucks used on the facility grounds.

DP 118 - Eastern Montana Veterans' Home Flooring - The legislature approved the executive request for \$37,112 from cigarette tax state special revenue to fund replacement of several areas of flooring at the Eastern Montana Veterans' Home in Glendive.

DP 3749 - Montana Veterans' Home - Nursing Bed Fee - The legislature added funds for the Montana Veterans' Home to pay the increase in the bed fee authorized by HB 749. The legislature appropriated \$112,020 in state special revenue and \$53,551 in federal funds over the biennium. State special revenue includes cigarette tax revenue and insurance and private payments.

Aging Services Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	8.00	0.00	0.00	8.00	0.00	0.00	8.00	8.00
Personal Services	393,415	(7,022)	0	386,393	(6,739)	0	386,676	773,069
Operating Expenses	318,852	(381)	0	318,471	(366)	0	318,486	636,957
Grants	7,226,930	137,721	1,167,000	8,531,651	137,721	567,000	7,931,651	16,463,302
Benefits & Claims	864,900	32,448	0	897,348	32,448	0	897,348	1,794,696
Total Costs	\$8,804,097	\$162,766	\$1,167,000	\$10,133,863	\$163,064	\$567,000	\$9,534,161	\$19,668,024
General Fund	1,992,967	32,656	1,167,000	3,192,623	32,448	567,000	2,592,415	5,785,038
State/Other Special	24,771	0	0	24,771	0	0	24,771	49,542
Federal Special	6,786,359	130,110	0	6,916,469	130,616	0	6,916,975	13,833,444
Total Funds	\$8,804,097	\$162,766	\$1,167,000	\$10,133,863	\$163,064	\$567,000	\$9,534,161	\$19,668,024

Aging Services

The aging function administers grants for community services managed by local agencies and the state supplement payment for persons eligible for Social Security Insurance (SSI) payments due to their disability and low income. Aging services receive about 4 percent of the division appropriation. The 2007 biennium appropriation increases about \$2 million above the FY 2004 base budget request. The largest biennial increases are:

- o \$1.3 million general fund for Meals on Wheels cut to the Meals on Wheels program
- o \$0.9 million for grants to community services providers for non-Medicaid in-home caregiver services

Both adjustments are one-time-only appropriations.

The legislature added an additional \$310,000 per year to the executive request of \$257,000 general fund for Meals on Wheels. The legislature also added by its own initiative \$0.6 million general fund to supplement federal funding for in-home care giver services.

The legislature also added about \$65,000 general fund for increases in state supplement payments for 45 persons transitioning from Montana Developmental Center to community services and the cost to process those payments. The legislature indicated that if additional persons are moved into the community from institutions and are eligible for SSI payments that the cost to fund additional SSI payments should come from the division that would fund the community services.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					9,076					9,373
Vacancy Savings					(16,098)					(16,112)
Inflation/Deflation					(381)					(366)
Total Statewide Present Law Adjustments					(\$7,403)					(\$7,105)
DP 22 - State Supplement Caseload Increase										
	0.00	32,448	0	0	32,448	0.00	32,448	0	0	32,448
DP 173 - Increased Funding For Caregiver Program										
	0.00	0	0	137,721	137,721	0.00	0	0	137,721	137,721
Total Other Present Law Adjustments	0.00	\$32,448	\$0	\$137,721	\$170,169	0.00	\$32,448	\$0	\$137,721	\$170,169
Grand Total All Present Law Adjustments					\$162,766					\$163,064

DP 22 - State Supplement Caseload Increase - The legislature added about \$65,000 general fund over the biennium to pay the state Social Security supplemental payment for Medicaid eligible persons residing in the community. The request is based on the Travis D. lawsuit that was settled in February 2004. The terms of the mediation settlement agreement between the executive branch and the plaintiffs requires the department to move at least 45 individuals from the Montana Developmental Center (MDC) into community services by December 2007. The first group of 26 are scheduled to be placed in community services by the end of FY 2005, then the final 19 persons would transition starting July 2007 through Dec 2007.

The legislature stated its intent that if community services are expanded during the 2007 biennium beyond the anticipated levels in HB 2, that the division expanding the community services will transfer funds to support state supplement payments above the level appropriated to the Senior and Long Term Care Division in HB 2.

DP 173 - Increased Funding For Caregiver Program - The legislature added \$275,442 in federal spending authority over the biennium for increased funding of the Caregiver Program. This program provides information, assistance, education, and support for family caregivers, which includes grandparents raising grandchildren. It also provides for respite care and some limited short-term support services.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3607 - Meals On Wheels (Restricted/OTO)										
03	0.00	567,000	0	0	567,000	0.00	567,000	0	0	567,000
DP 3608 - In-home Caregiver Services (Biennial/Restricted/O										
03	0.00	600,000	0	0	600,000	0.00	0	0	0	0
Total	0.00	\$1,167,000	\$0	\$0	\$1,167,000	0.00	\$567,000	\$0	\$0	\$567,000

DP 3607 - Meals On Wheels (Restricted/OTO) - The legislature approved the executive request for \$257,000 general fund each year of the biennium and added another \$620,000 general fund over the biennium above the executive request for the Meals on Wheels program. The appropriation is restricted, and designated as one-time-only.

This action restores and increases funding that was removed by the 2003 Legislature and was later temporarily restored by the Governor during FY 2004 with federal funds from Jobs and Growth Tax Relief Reconciliation Act. These funds will be used to support programs administered by locally based Area Agencies on Aging such as Meals on Wheels.

DP 3608 - In-home Caregiver Services (Biennial/Restricted/O - The legislature added \$600,000 general fund over the biennium to support in-home caregiver services. The appropriation is restricted, biennial, and designated as one-time-only. The legislature added language to HB 2 that appropriation be used to contract with local providers and not expended as Medicaid matching funds. The appropriation is contingent on the expenditure limitation in 17-8-106, MCA being met or modified.

Division Administration Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	287,153	(2,996)	249,113	533,270	(3,817)	653,999	937,335	1,470,605
Operating Expenses	74,093	3,836	50,000	127,929	4,242	0	78,335	206,264
Total Costs	\$361,246	\$840	\$299,113	\$661,199	\$425	\$653,999	\$1,015,670	\$1,676,869
General Fund	158,492	704	65,526	224,722	173	168,979	327,644	552,366
State/Other Special	55,583	46	157,000	212,629	78	283,430	339,091	551,720
Federal Special	147,171	90	76,587	223,848	174	201,590	348,935	572,783
Total Funds	\$361,246	\$840	\$299,113	\$661,199	\$425	\$653,999	\$1,015,670	\$1,676,869

Division Administration

The division administration 2007 biennium budget includes two changes other than statewide present law adjustments. The division pay plan allocation (\$0.9 million over the biennium) is included in the division administration function, but most of the funding will be distributed among other functions, primarily the Montana Veterans' Home, which includes 64 percent of the division FTE. Additionally, the legislature added \$50,000 cigarette state special revenue in FY 2006 for a study of long-term care needs for veterans.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
FTE	Fiscal 2006				FTE	Fiscal 2007			
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
Personal Services				8,845					7,988
Vacancy Savings				(11,841)					(11,805)
Inflation/Deflation				(64)					(61)
Fixed Costs				3,900					4,303
Total Statewide Present Law Adjustments				\$840					\$425
Grand Total All Present Law Adjustments				\$840					\$425

Statewide present law adjustments total about \$1,200 over the biennium. General fund supports about \$900 of the total amount.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3620 - Veterans' Long-Term Health Care Needs Study										
04	0.00	0	50,000	0	50,000	0.00	0	0	0	0
DP 6010 - 2007 Biennium Pay Plan										
04	0.00	65,526	107,000	76,587	249,113	0.00	168,979	283,430	201,590	653,999
Total	0.00	\$65,526	\$157,000	\$76,587	\$299,113	0.00	\$168,979	\$283,430	\$201,590	\$653,999

DP 3620 - Veterans' Long-Term Health Care Needs Study - The legislature appropriated \$50,000 cigarette tax state special revenue over the biennium for a study of long-term health care needs of veterans. The funds must be used for a study to evaluate the number of veterans by county and the types of services that are needed. In addition, the study must evaluate the current configurations of the veterans' homes. Results of the study must be presented to the Legislative Finance Committee by September 1, 2006. The legislature restricted the use of the appropriation to the study and made it a one-time appropriation.

DP 6010 - 2007 Biennium Pay Plan - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan.

Adult Protective Services Legislative Budget

The following table summarizes the legislative budget proposal for adult protective services by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	38.75	0.00	0.00	38.75	0.00	0.00	38.75	38.75
Personal Services	1,531,246	154,411	0	1,685,657	154,961	0	1,686,207	3,371,864
Operating Expenses	258,205	(2,853)	0	255,352	(2,745)	0	255,460	510,812
Equipment	30,000	0	0	30,000	0	0	30,000	60,000
Benefits & Claims	59,661	0	0	59,661	0	0	59,661	119,322
Debt Service	4,752	0	0	4,752	0	0	4,752	9,504
Total Costs	\$1,883,864	\$151,558	\$0	\$2,035,422	\$152,216	\$0	\$2,036,080	\$4,071,502
General Fund	1,299,775	122,858	0	1,422,633	122,802	0	1,422,577	2,845,210
State/Other Special	221,899	22,345	0	244,244	22,976	0	244,875	489,119
Federal Special	362,190	6,355	0	368,545	6,438	0	368,628	737,173
Total Funds	\$1,883,864	\$151,558	\$0	\$2,035,422	\$152,216	\$0	\$2,036,080	\$4,071,502

Adult Protective Services

The adult protective services (APS) program is responsible for the investigation of abuse, neglect, and exploitation of adults. The program has about \$60,000 general fund annually to help provide emergency services such as temporary lodging, and cleaning. The majority of FTE in the program are adult protective services social workers. The program receives about 1 percent of the division appropriation.

The 2007 biennium appropriation increases about \$123,000 general fund each year (\$152,000 total funds) due to statewide present law adjustments, with a slight offset for continuation personal services funding reductions made by the 2003 legislature.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				230,353					231,044
Vacancy Savings				(70,465)					(70,496)
Inflation/Deflation				(2,853)					(2,745)
Total Statewide Present Law Adjustments				\$157,035					\$157,803
DP 9999 - Statewide FTE Reduction									
0.00	(5,477)	0	0	(5,477)	0.00	(5,587)	0	0	(5,587)
Total Other Present Law Adjustments									
0.00	(\$5,477)	\$0	\$0	(\$5,477)	0.00	(\$5,587)	\$0	\$0	(\$5,587)
Grand Total All Present Law Adjustments				\$151,558					\$152,216

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive proposal to reduce funding equivalent to the reductions taken in the 2003 legislative session, but did not accept the reduction in FTE slots as proposed.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	567.75	0.00	3.00	570.75	0.00	5.00	572.75	572.75
Personal Services	23,773,529	2,123,495	900,163	26,797,187	2,200,011	2,200,084	28,173,624	54,970,811
Operating Expenses	9,178,091	752,589	267,837	10,198,517	1,115,939	335,460	10,629,490	20,828,007
Equipment	41,010	0	0	41,010	0	0	41,010	82,020
Grants	8,598,188	1,053,964	0	9,652,152	1,303,964	0	9,902,152	19,554,304
Benefits & Claims	31,322,620	7,192,219	7,117,069	45,631,908	7,885,001	2,950,471	42,158,092	87,790,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	80,093	0	0	80,093	0	0	80,093	160,186
Total Costs	\$72,993,531	\$11,122,267	\$8,285,069	\$92,400,867	\$12,504,915	\$5,486,015	\$90,984,461	\$183,385,328
General Fund	36,594,770	5,875,617	987,722	43,458,109	6,697,470	2,037,994	45,330,234	88,788,343
State/Other Special	4,671,445	470,505	6,817,913	11,959,863	547,053	1,198,470	6,416,968	18,376,831
Federal Special	31,727,316	4,776,145	479,434	36,982,895	5,260,392	2,249,551	39,237,259	76,220,154
Total Funds	\$72,993,531	\$11,122,267	\$8,285,069	\$92,400,867	\$12,504,915	\$5,486,015	\$90,984,461	\$183,385,328

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) to individuals with a serious and disabling mental illness with incomes up to 150 percent of the federal poverty level. Montana State Hospital (MSH) at Warm Springs (189 licensed beds) and the Montana Mental Health Nursing Care Center (nursing care center) at Lewistown (165 beds available / 75 beds budgeted) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the nursing care center are considered to be long term.

Statutory references: mental health is in Title 53, Chapter 21, parts 1 through 7 and part 10, MCA, and P. L. 102-321, CFR. Chemical dependency is in Title 53, Chapters 1 and 24, MCA, and Part C, Title XIX of the Social Security Act.

Program Highlights

Addictive and Mental Disorders Division	
Major Budget Highlights	
♦	AMDD 2007 biennium appropriation increases \$37 million total funds (\$16 million general fund) over the biennium
♦	Adult mental health Medicaid services grows \$18 million total funds, including \$7 million general fund, over the biennium
•	Service utilization and eligibility growth - \$10 million total funds, including \$5 million general fund
•	Program for Assertive Community Treatment (PACT) increases - \$5.0 million total funds, including \$1.5 million general fund
•	Additional community services expansion for 7 new intensive group

home beds and implementation of a home and community based waiver with 105 service slots in FY 2007 - \$3 million total funds, including \$0.9 million state special tobacco tax revenue (I-149 funds

- ◆ Institutional personal services costs for 24 hour staffing and other operating cost increases - \$7 million total funds, including \$6 million general fund
- ◆ Continuation of one-time funding for MHSP services - \$6.5 million tobacco state special revenue (I-149)
- ◆ Funding for 5.00 new FTE for adult mental health services - \$0.3 million total funds
- ◆ Pay plan (HB 447) - \$3 million total funds, including \$2.4 million general fund

Program Narrative

The 2007 biennium appropriation for AMDD is \$37 million (\$16 million general fund) higher than the base budget. Most of the increase is in present law adjustments - \$24 million or about 63 percent. Present law adjustments for Medicaid caseload growth, including annualization of the increases for the PACT program, and overtime pay at state institutions are the major cost drivers. General fund supports about half of the \$24 million present law increase.

New proposals add about \$14 million (\$3 million general fund). The most significant appropriations for new proposals support 7 new intensive group home beds and 105 community based waiver service slots in FY 2007. Pay plan funding, driven largely by the number of state institution employees, adds about \$4 million over the biennium, almost entirely from general fund.

The legislature approved funding for 5.00 new FTE and directed that 2.00 of the FTE be used to help develop community crisis services.

Figure 41 shows the base budget compared to the 2007 biennium appropriation for AMDD by major function, state institution, grants, and benefits. Function components of the budget are broken out for the state institutions administered by AMDD as well as the individual grants and benefits. The appropriations for the functional components shown in Figure 41 do not combine to equal the total division budget.

Figure 41

Addictive and Mental Disorders Division FY 2004 Base Expenditures and 2007 Biennium Appropriation

Budget Component Function/Benefit	FY 2004 Base Budget			FY 2006 Executive Request			FY 2007 Executive Request			% of Ttl Division
	General Fund	SSR	Federal	General Fund	SSR	Federal	General Fund	SSR	Federal	
Total Division										
Division Admin.	\$407,856	\$21,944	\$441,997	\$1,195,373	\$94,631	\$495,711	\$2,253,747	\$215,972	\$523,834	3%
Mental Health*	36,186,914	1,454,869	23,556,090	42,222,883	8,291,890	28,457,743	43,076,487	2,510,505	30,303,178	83%
Addiction Services	0	3,194,632	7,729,229	39,853	3,573,342	8,029,441	0	3,690,491	8,410,247	13%
Total Division	\$36,594,770	\$4,671,445	\$31,727,316	\$43,458,109	\$11,959,863	\$36,982,895	\$45,330,234	\$6,416,968	\$39,237,259	100%
Percent of Total	50%	6%	43%	47%	13%	40%	50%	7%	43%	100%
Compounded Annual Rate of Change from Base				9%	60%	8%	7%	11%	7%	8%
State Institution Costs										
State Hospital	\$20,657,664	\$383,988	\$0	\$22,376,957	\$438,389	\$0	\$22,688,493	\$437,591	\$0	25%
Nursing Care Center	5,742,424	0	0	6,789,670	0	0	6,867,733	0	0	8%
Chemical Dependency Cnt	0	2,587,566	374,796	0	2,828,583	488,600	0	2,858,039	541,382	4%
Subtotal Institutions	\$26,400,088	\$2,971,554	\$374,796	\$29,166,627	\$3,266,972	\$488,600	\$29,556,226	\$3,295,630	\$541,382	37%
% of Total Division Budget	72%	64%	1%	67%	27%	1%	65%	51%	1%	37%
Compounded Annual Rate of Change from Base				5%	5%		4%	4%		4%
Grants										
Mental Health Services										
Mental Health Svcs Plan*	\$2,122,456	\$0	\$290,000	\$2,122,456	\$0	\$1,250,525	\$2,122,456	\$0	\$1,250,525	4%
PATH/Homeless Svcs	97,866	0	293,598	100,000	0	300,000	100,000	0	300,000	0%
Addiction Services										
Community Services	0	0	5,794,268	0	0	5,879,171	0	0	6,129,171	7%
Subtotal Grants	\$2,220,322	\$0	\$6,377,866	\$2,222,456	\$0	\$7,429,696	\$2,222,456	\$0	\$7,679,696	11%
% of Total Division Budget	6%	0%	20%	5%	0%	20%	5%	0%	20%	11%
Compounded Annual Rate of Change from Base				0%	n/a	8%	0%	n/a	6%	5%
Benefits/Services										
Medicaid										
Mental Health*	\$5,088,665	\$1,070,881	\$22,244,257	\$8,333,103	\$1,353,501	\$26,099,739	\$8,751,677	\$2,072,914	\$27,880,420	43%
Addiction Services	0	359,112	1,100,334	0	493,997	1,192,576	0	542,470	1,270,596	2%
Other Benefits										
Mental Health Svcs Plan*	1,728,648	2,611,837	0	1,658,992	6,500,000	0	1,640,015	0	0	2%
Subtotal Benefits	\$6,817,313	\$4,041,830	\$23,344,591	\$9,992,095	\$8,347,498	\$27,292,315	\$10,391,692	\$2,615,384	\$29,151,016	46%
% of Total Division Budget	19%	87%	74%	23%	70%	74%	23%	41%	74%	46%
Compounded Annual Rate of Change from Base				21%	44%	8%	15%	-14%	8%	7%

*Mental Health Services Plan expenditures include the one-time appropriation of tobacco settlement proceeds from the Prevention and Stabilization Account that was removed from the FY 2004 base budget. The FY 2006 appropriation is a biennial appropriation that will be allocated part to MHSP in FY 2006 and fully as Medicaid match in FY 2007 if the HIFA waiver is granted.

The mental health function has the largest budget, accounting for 83 percent of the FY 2007 appropriation. Addiction services follows with the 13 percent of the appropriation, and division administration comprises 3 percent.

The three state institutions managed by the division receive 37 percent of the division funding and mental health Medicaid services for adults uses 43 percent. Grants to state approved chemical dependency providers account for 7 percent of the FY 2007 appropriation. The state funded Mental Health Services Plan (MHSP) gets 6 percent of the division appropriation if both grants and benefits are added together. Medicaid addiction services receive 2 percent.

The appropriation for state institutions increases about \$3 million a year over base budget expenditures. Most of the increase is in overtime pay to provide 24-hour staffing. Overtime pay is removed from base budget expenditures. Operating cost increases for medical and food services also contribute to the growth.

Appropriations for grants rise about \$0.9 million from the FY 2004 base to the FY 2007 appropriation due largely to anticipated federal grant increases for chemical dependency services.

The most significant funding growth occurs in adult mental health Medicaid services, which rise from a base expenditure level of about \$28 million to nearly \$39 million in FY 2007, including \$4 million in general fund and \$1 million in state special revenue. Eligibility increases and growth in service utilization, as well as expansion of community services are the cost drivers.

The appropriation for the Mental Health Services Plan (MHSP) increases slightly over the biennium. The \$6.5 million state special revenue appropriation shown in Figure 41 is a biennial appropriation that will provide MHSP services in FY 2006 and the state match for a Medicaid service expansion in FY 2007. The legislature endorsed the executive proposal to implement a HIFA (Health Insurance Flexibility and Accountability) waiver as part of Medicaid redesign, which is discussed in greater detail in the agency overview.

Community Crisis Services

Development of community crisis services was one of the major adult mental health policy issues discussed by the legislature. The legislature passed a resolution for an interim study of crisis services (SJR 41) and also structured appropriations to help provide adequate funding for mental health services, with the potential that there may be funding to direct to crisis services.

The legislature approved the executive budget proposal for the state hospital, the nursing care center, adult mental health Medicaid services, MHSP, and community services expansions as presented, with two changes. The legislature, while accepting the personal services funding reduction, did not accept removal of FTE as proposed in the executive budget. The legislature directed that 2.00 of the new FTE must work on crisis services.

The legislature discussed the potential impact of the Medicare Modernization Act (MMA) on MHSP. Since a portion of MHSP recipients are Medicare eligible, if they sign up for the Medicare Part D drug benefit they can receive their mental health drugs through Medicare rather than MHSP. The legislature did not reduce the MHSP appropriation despite the potential for savings. The Health and Human Services Joint Appropriations Subcommittee discussed the potential for MHSP savings and diversion of funds to support crisis services.

Biennial Comparison

Figure 42 shows the 2005 biennium expenditures and appropriations compared to the 2007 biennium appropriation, which is 18 percent higher. Although general fund grows only 17 percent between biennia, the total general fund appropriation for the 2007 biennium is \$13 million and much higher than the dollar change in other funds. State special revenue shows the largest percentage increase (84 percent) due primarily to the appropriation of tobacco tax state special revenue (I-149). About half the growth in state special revenue is removal of a one time \$6.5 million state special revenue appropriation for MHSP services that is continued in the 2007 biennium.

Figure 42
2005 Biennium Compared to 2007 Biennium
Addictive and Mental Disorders Division

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Difference	Percent Change
FTE	567.75	572.75		5.00	
Personal Services	\$49,418,737	\$54,970,811	30%	\$5,552,074	11%
Operating	18,622,018	20,828,007	11%	2,205,989	12%
Equipment	76,751	82,020	0%	5,269	7%
Grants	14,649,757	19,554,304	11%	4,904,547	33%
Benefits/Claims	72,197,662	87,790,000	48%	15,592,338	22%
Debt Service	124,595	160,186	0%	35,591	29%
Total Costs	\$155,089,520	\$183,385,328	100%	\$28,295,808	18%
General Fund	\$75,702,771	\$88,788,343	48%	\$13,085,572	17%
State Special	9,977,755	18,376,831	10%	8,399,076	84%
Federal Funds	69,408,994	76,220,154	42%	6,811,160	10%
Total Funds	\$155,089,520	\$183,385,328	100%	\$28,295,808	18%

Although grant appropriations show the largest percentage increase between biennia, the largest dollar increase is in benefits. Grant appropriations rise in anticipation of growth in federal chemical dependency funding. Benefit appropriations rise due to Medicaid eligibility and service expansion and MHSP funding. Personal services funding rises due to pay plan allocations, and funding for overtime and 5.00 new FTE.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table Addictive & Mental Disorders Division					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 36,594,770	50.1%	\$ 43,458,109	47.0%	\$ 45,330,234	49.8%
	01100 General Fund	36,594,770	50.1%	43,458,109	47.0%	45,330,234	49.8%
02000	Total State Special Funds	4,671,445	6.4%	11,959,863	12.9%	6,416,968	7.1%
	02034 Earmarked Alcohol Funds	3,269,632	4.5%	3,721,868	4.0%	3,957,746	4.3%
	02053 Medicaid Nursing Home Match	1,043,222	1.4%	1,043,222	1.1%	1,043,222	1.1%
	02384 02 Indirect Activity Prog 33	21,944	0.0%	21,105	0.0%	23,717	0.0%
	02691 6901-Msh/Doc Maint Agreement	308,988	0.4%	363,389	0.4%	362,591	0.4%
	02772 Tobacco Hlth & Medica Initiative	-	-	6,782,620	7.3%	1,002,033	1.1%
	02987 Tobacco Interest	27,659	0.0%	27,659	0.0%	27,659	0.0%
03000	Total Federal Special Funds	31,727,316	43.5%	36,982,895	40.0%	39,237,259	43.1%
	03500 Adad - Needs Asm Study	165,097	0.2%	-	-	-	-
	03505 93.150 - Mntal Hlth - Homeless	293,598	0.4%	300,000	0.3%	300,000	0.3%
	03507 93.958 - Mntal Hlth - Blk Grt	290,000	0.4%	1,250,525	1.4%	1,250,525	1.4%
	03508 93.959 - Adad - Blk Grt 100%	6,450,912	8.8%	6,776,353	7.3%	7,079,152	7.8%
	03580 6901-93.778 - Med Adm 50%	741,121	1.0%	876,515	0.9%	955,462	1.1%
	03583 93.778 - Med Ben Fmap	23,344,591	32.0%	27,292,315	29.5%	29,151,016	32.0%
	03601 03 Indirect Activity Prog 33	381,128	0.5%	351,877	0.4%	364,996	0.4%
	03684 6901-Data Infrastructure93-230	60,869	0.1%	135,310	0.1%	136,108	0.1%
Grand Total		\$ 72,993,531	100.0%	\$ 92,400,867	100.0%	\$ 90,984,461	100.0%

The Addictive and Mental Disorders Division (AMDD) is supported by a combination of general fund, state special revenue, and federal funds. General fund supports about 50 percent of division appropriation, but increases from \$37 million in the base budget to about \$45 million in FY 2007.

The largest share of general fund supports two state institutions – Montana State Hospital (MSH) and Lewistown nursing care center – incurring \$26 million in costs in FY 2004, rising to \$30 million in FY 2007.

General fund also pays the state match for mental health Medicaid benefits, accounting for \$5 million of base budget funding and rising to nearly \$9 million in FY 2007. About \$3 million of the biennial general fund increase is due to higher state Medicaid matching rates, including the offset for the temporary increase in federal match rate during FY 2004. General fund (about \$3 million annually) supports about half of the cost of the state funded Mental Health Services Plan (MHSP) each year of the 2007 biennium. Annualization of Program for Assertive Community Treatment (PACT) increases in FY 2005 add \$1.5 million general fund over the biennium.

Federal funds support 43 percent of the division appropriation. Federal funds support Medicaid caseload increases and annualization of start up costs for new services, including group home and PACT programs.

The single largest source of federal revenue is federal match for Medicaid services and administration, accounting for 33 percent (\$24 million) of base budget funding and decreasing to 33 percent of FY 2007 funding despite growing to \$30 million. The next most significant source of federal funding is the federal block grant for Addiction Disorders and Diseases, which accounts for 8 percent (\$7 million) of the FY 2007 amount. This block grant supports Montana Chemical Dependency Center (MCDC) and local state approved chemical dependency programs.

There are three mental health block grants. One supports outreach and services for mentally ill homeless persons (\$0.3 million per year) and requires a 25 percent state match. Another supports development of a management information system (\$0.1 million per year).

The third federal mental health block grant is about \$1 million per year and requires a state maintenance of effort (MOE). The MOE is based on the average of two years of state expenditures for certain types of mental health services, predominantly community services. Since the Mental Health Service Program (MHSP) was scaled back from the 2003 biennium and since mental health service reductions were implemented to contain general fund costs within budgeted amounts, DPHHS did not meet the required MOE in FY 2004. AMDD staff estimate that the MOE will be met in FY 2005 and FY 2006. Meeting the MOE requirement in FY 2007 could be problematic because \$3.25 million of state special revenue supporting MHSP is slated to be used for Medicaid match for the HIFA (Health Insurance Flexibility and Accountability) waiver and some of the services to be funded will not count toward mental health services MOE. The HIFA waiver proposal is discussed in greater detail in the agency overview.

State special revenue supports 6 percent of base budget expenditures, rising to 7 percent in fiscal 2007 largely due to appropriations from I-149 revenues for expansions in community mental health services. The legislature approved the executive request for \$6.5 million of tobacco state special revenue (I-149) to support MHSP. One-time expenditures of tobacco settlement revenues of nearly \$3 million to support mental health prescription drug costs in FY 2004 were removed from the base budget because they were supported by a one-time diversion of tobacco settlement revenue in SB 495 passed by the 2003 Legislature, (17-6-606, MCA).

The legislature approved the use of MHSP funds in FY 2007 to implement the proposed HIFA waiver, which is discussed in more detail in the agency overview of Medicaid redesign proposals.

Alcohol Tax Funds

Alcohol tax revenues provide about 4 percent of division funding. DPHHS receives portions of wine and beer taxes and liquor license tax revenue, which are deposited into a state special revenue account. Figure 43 shows appropriations and revenues for the account over the 2005 and 2007 biennia. While DPHHS and local providers receive nearly all of the appropriations made from the account, other agencies also receive funds. So balances shown in Figure 43 will not tie to the division funding table.

Alcohol tax revenues allocated to DPHHS are expected to increase about \$0.5 million from the FY 2004 base through the 2007 biennium (from \$5.3 million to \$5.8 million). Expenditures from the fund are expected to grow from \$5.2 million to \$6.0 million.

The major expenditure from alcohol state special revenue is for support of the MCDC - about \$3 million annually (51 percent of the total alcohol tax funding). Since revenue is projected to be less than expenditures, the legislature accepted the executive proposal to fund a small portion MCDC operations from the general fund (about \$40,000 in FY 2006).

There are two statutory appropriations of alcohol tax revenues (53-24-109(1)(a) and (1)(b), MCA):

- 1) 20 percent is distributed to county programs; and
- 2) 6.6 percent is distributed to county programs that serve persons with a mental illness and a chemical dependency.

About 9 percent of the alcohol state special revenue is appropriated to support Medicaid chemical dependency services and administration and about 5 percent of the total supports AMDD administration of non-Medicaid chemical dependency services. About 2 percent supports cost allocated administration in AMDD and other programs in DPHHS. The balance of the legislative appropriation from alcohol tax funds is:

- o Department of Justice – personal service costs of scientists and chemists who analyze blood and urine samples in connection with driving under the influence (DUI) cases at the Missoula crime lab
- o Quality Assurance Division, DPHHS – licensure of state approved chemical dependency programs
- o Montana State Hospital – personal services costs for chemical dependency counselors to provide services to MSH patients who are chemically dependent
- o Department of Corrections – the chemical dependency program at Riverside
- o Department of Labor and Industry – operating and staff costs for Professional and Occupational Licensing (POL) for addiction counselors

Legislative staff raised two issues related to the alcohol state special revenue fund for legislative consideration: 1) legality of uses of the fund; and 2) ending fund balance. The legislature received a staff legal opinion that all uses except those funded in other divisions within DPHHS meet the statutory requirement for use of alcohol funds. The legislature did not take action to address those uses.

The legislature partially offset the projected shortfall in alcohol tax funds by appropriating about \$40,000 general fund in FY 2006 and reducing the executive request for alcohol tax funds by \$40,000 per year. However, the legislature did not consider potential pay plan allocations from the fund to support MCDC and other division administrative costs. Therefore, appropriations are in excess of projected revenues by about \$0.4 million by the end of FY 2007.

Staff presentation of the deficit issue included options to remove some appropriations from the fund and to increase taxes. The legislature did reduce some appropriations and considered legislation to raise alcohol taxes, which did not pass.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. 'Statewide Present Law' adjustments are standard categories of adjustments made to all agencies. Legislative decisions

Figure 43

Earmarked Alcohol Tax Revenue and Expenditures FY 2004 Actuals Through FY 2007 Appropriation

Revenue/Expenditures	Actual FY 2004*	Appropriated FY 2005*	2007 Biennium FY 2006	Appropriation FY 2007	% of Total
Fund Balance					
Beginning Balance	(\$10,968)	\$241,506	(\$73,537)	(\$188,332)	
Revenues					
Liquor License	\$3,681,104	\$3,818,000	\$3,959,000	\$4,106,000	71%
Beer Tax	896,046	906,000	923,000	939,000	16%
Wine Tax	651,819	658,000	681,000	704,000	12%
Cost Recovery for MCDC*	50,000	52,952	53,470	53,993	1%
Total Revenue	\$5,278,969	\$5,434,952	\$5,616,470	\$5,802,993	100%
Annual Percent Change	8%	3%	3%	3%	
Total Funds Available	\$5,268,001	\$5,676,458	\$5,542,933	\$5,614,661	
Disbursements					
Chemical Dependency Cntr (MCDC)	\$2,587,566	\$2,627,900	\$2,862,256	\$3,050,294	51%
Distribution to Counties	1,072,084	1,422,431	1,112,600	1,149,800	19%
Services for Dually Diagnosed	354,552	354,552	367,158	379,434	6%
CD Medicaid Services/Admin.	359,112	430,609	493,997	542,470	9%
Justice - Crime Lab DUI Tests	303,204	303,204	303,204	303,204	5%
CD Operations	247,848	287,032	291,884	293,289	5%
Cost Allocated Admin.	111,494	111,494	111,494	111,494	2%
Montana State Hospital	75,000	75,339	75,000	75,000	1%
Quality Assurance-Licensure	52,727	67,824	52,244	52,129	1%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0%
Department of Labor - POL Board	25,243	44,087	35,905	35,466	1%
CD Benefits - NonMedicaid	106	0	0	0	0%
Total Disbursements	\$5,214,459	\$5,749,995	\$5,731,265	\$6,018,103	100%
Adjustments	\$187,964	\$0	\$0	\$0	
Ending Fund Balance	\$241,506	(\$73,537)	(\$188,332)	(\$403,442)	

*Revenue estimates are those adopted by the legislature in HJR 2, except for MCDC cost recovery, which is based on AMDD estimates. FY 2005 costs are based on AMDD budget allocations and legislative appropriations for other agencies and DPHHS divisions.

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Each of the present law adjustments and new budget proposals is discussed within the budget presentation for each of the major functions in AMDD: mental health services, chemical dependency services, and division administration.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,745,405						1,819,970
Vacancy Savings				(1,020,739)						(1,023,718)
Inflation/Deflation				55,368						39,830
Fixed Costs				(153,385)						(88,510)
Total Statewide Present Law Adjustments				\$626,649						\$747,572
DP 19 - Medicaid Caseload - Mental Health	0.00	1,187,099	0	3,031,886	4,218,985	0.00	1,369,587	0	3,185,573	4,555,160
DP 26 - FMAP Enhancement Adjustment - Mental Health	0.00	725,924	0	(725,924)	0	0.00	725,924	0	(725,924)	0
DP 32 - FMAP Adjustment - Mental Health	0.00	547,120	0	(547,120)	0	0.00	711,256	0	(711,256)	0
DP 46 - Montana State Hospital Base Funding Adjustments	0.00	1,324,307	0	0	1,324,307	0.00	1,324,307	0	0	1,324,307
DP 48 - MT Mental Health Nursing Care Center Base Adj	0.00	291,238	0	0	291,238	0.00	291,238	0	0	291,238
DP 51 - PACT Caseload	0.00	745,152	0	1,731,678	2,476,830	0.00	861,684	0	1,845,260	2,706,944
DP 55 - Division Central Office Rent	0.00	2,783	139	1,716	4,638	0.00	4,217	211	2,600	7,028
DP 62 - Montana State Hospital Present Law Adjustments	0.00	523,818	0	0	523,818	0.00	746,455	0	0	746,455
DP 63 - MT Mental Health Nursing Care Ctr Present Law Adj	0.00	161,066	0	0	161,066	0.00	190,087	0	0	190,087
DP 97 - MT Chemical Dependency Center Present Law Adj	0.00	0	0	100,084	100,084	0.00	0	0	160,049	160,049
DP 99 - Medicaid Caseload - Chemical Dependency	0.00	0	66,525	160,602	227,127	0.00	0	105,803	247,817	353,620
DP 103 - FMAP Enhancement Adjustment - Chemical Dependency	0.00	0	0	(37,712)	0	0.00	0	37,712	(37,712)	0
DP 104 - FMAP Adjustment - Chemical Dependency	0.00	0	30,648	(30,648)	0	0.00	0	39,843	(39,843)	0
DP 105 - MT Chemical Dependency Center Base Adjustments	0.00	0	17,704	13,720	31,424	0.00	0	24,887	6,537	31,424
DP 107 - Continue Data Infrastructure and Integration Grant	0.00	0	0	75,000	75,000	0.00	0	0	75,000	75,000
DP 126 - Mental Health Block Grant	0.00	0	0	960,525	960,525	0.00	0	0	960,525	960,525
DP 132 - Substance Abuse Prevention Treatment Increase	0.00	0	0	250,000	250,000	0.00	0	0	500,000	500,000
DP 179 - Discontinue State Incentive Grant Authority	0.00	0	0	(165,097)	(165,097)	0.00	0	0	(165,097)	(165,097)
DP 180 - Authority to Maximize PATH Grant	0.00	2,134	0	6,402	8,536	0.00	2,134	0	6,402	8,536
DP 181 - Correct Accounting Error	0.00	0	269,277	0	269,277	0.00	0	269,277	0	269,277
DP 9999 - Statewide FTE Reduction	0.00	(241,164)	(3,360)	(17,616)	(262,140)	0.00	(235,974)	(3,389)	(17,847)	(257,210)
Total Other Present Law Adjustments	0.00	\$5,269,477	\$418,645	\$4,807,496	\$10,495,618	0.00	\$5,990,915	\$474,344	\$5,292,084	\$11,757,343
Grand Total All Present Law Adjustments				\$11,122,267						\$12,504,915

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 50 - MT Mental Health Nursing Care Center Bed Tax										
33	0.00	180,127	0	0	180,127	0.00	211,915	0	0	211,915
DP 58 - Enhance Community Psychiatric Access										
33	0.00	66,987	0	161,715	228,702	0.00	68,428	0	160,274	228,702
DP 70 - Regional Staffing and Operating										
33	3.00	0	0	97,500	97,500	5.00	0	0	162,501	162,501
DP 86 - Staff Training to Reduce Violence and Improve Comm										
33	0.00	35,000	0	0	35,000	0.00	35,000	0	0	35,000
DP 193 - Chemical Dependency Admin Fund Switch										
33	0.00	39,853	(39,853)	0	0	0.00	0	0	0	0
DP 3002 - Mental Health Services										
33	0.00	0	6,500,000	0	6,500,000	0.00	0	0	0	0
DP 3008 - Medicaid Adult Mental Health										
33	0.00	0	198,429	0	198,429	0.00	0	198,429	0	198,429
DP 3707 - Expand Intensive Community-Based Rehabilitation										
33	0.00	0	84,191	203,247	287,438	0.00	0	172,003	402,872	574,875
DP 3708 - Develop Home and Community-Based Waiver										
33	0.00	0	0	0	0	0.00	0	631,601	1,479,364	2,110,965
DP 6010 - 2007 Biennium Pay Plan - HB 447										
33	0.00	665,755	75,146	16,972	757,873	0.00	1,722,651	196,437	44,540	1,963,628
Total	3.00	\$987,722	\$6,817,913	\$479,434	\$8,285,069	5.00	\$2,037,994	\$1,198,470	\$2,249,551	\$5,486,015

Adult Mental Health Services Legislative Budget

The following table summarizes the legislative appropriation for mental health services managed by AMDD. The table shows appropriations by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	498.50	0.00	3.00	501.50	0.00	5.00	503.50	503.50
Personal Services	20,675,167	2,012,749	142,290	22,830,206	2,085,063	236,456	22,996,686	45,826,892
Operating Expenses	7,483,092	569,822	267,837	8,320,751	853,682	335,460	8,672,234	16,992,985
Equipment	41,010	0	0	41,010	0	0	41,010	82,020
Grants	2,803,920	969,061	0	3,772,981	969,061	0	3,772,981	7,545,962
Benefits & Claims	30,132,451	6,695,815	7,117,069	43,945,335	7,262,104	2,950,471	40,345,026	84,290,361
Debt Service	62,233	0	0	62,233	0	0	62,233	124,466
Total Costs	\$61,197,873	\$10,247,447	\$7,527,196	\$78,972,516	\$11,169,910	\$3,522,387	\$75,890,170	\$154,862,686
General Fund	36,186,914	5,753,855	282,114	42,222,883	6,574,230	315,343	43,076,487	85,299,370
State/Other Special	1,454,869	54,401	6,782,620	8,291,890	53,603	1,002,033	2,510,505	10,802,395
Federal Special	23,556,090	4,439,191	462,462	28,457,743	4,542,077	2,205,011	30,303,178	58,760,921
Total Funds	\$61,197,873	\$10,247,447	\$7,527,196	\$78,972,516	\$11,169,910	\$3,522,387	\$75,890,170	\$154,862,686

Adult Mental Health Services

The AMDD adult mental health appropriation grows \$31 million over the biennium, with about 42 percent of the increase in general fund and 25 percent in state special revenue, primarily from appropriations of tobacco tax increases enacted by the passage of I-149. The adult mental health function is 84 percent of the total 2007 biennial appropriation and includes 503.50 of the 572.75 total FTE funded for the division. Appropriations for adult mental health services support two state institutions, which include 492.50 FTE and about \$59 million of the \$64 million appropriated for adult mental health personal services and operating costs during the 2007 biennium. Appropriations for adult mental health Medicaid benefits total about \$74 million, or 88 percent of the \$84 million biennial appropriation for direct mental health services provided to eligible adults. The remaining 12 percent of adult mental health services appropriations support the state funded Mental Health Services Plan (MHSP). MHSP was funded from a one-time appropriation of tobacco settlement revenues in the 2005 biennium, so costs for that program were removed from the base budget.

Biennial appropriations for adult mental health services increase for the following primary reasons:

- Medicaid caseload and service utilization - \$9 million total (\$3 million general fund)
- MSHP - \$6.5 million of tobacco state special revenue from tax increases authorized by I-149
- Overtime and operating cost increases for two state mental health institutions - \$5 million general fund
- Annualization of increases for the Program for Assertive Community Treatment (PACT) - \$5 million total (\$2 million general fund)
- New community services, including seven intensive group home beds and in FY 2007 implementation of a home and community based waiver similar to those operated for elderly and physically disabled persons – \$3 million total (\$1 million state special revenue from tobacco tax increases authorized by I-149)

Funding for FTE increases to support 5.00 new FTE for adult mental health services. The legislature added language to HB 2 directing that 2.00 of the new FTE were to focus on development of community crisis services to help maintain persons in the community and to help lower admissions to the state hospital.

Although total funds are not affected, a funding switch due to federal Medicaid match rate reductions increases general fund \$3 million and reduces federal funds by a like amount. The federal match rate change and the institution cost increases contribute to the \$85 million general fund appropriation.

Figure 44 shows the individual components and total change for Medicaid adult mental health services funding approved by the legislature. The effect of the federal match rate changes is clearly illustrated by the relative increase in general fund and state special revenue compared to federal funds. General fund grows 64 and 72 percent respectively in FY 2006 and FY 2007 compared to base budget expenditures, while federal funds increase 17 and 25 percent respectively.

Figure 44

Total Adult Mental Health Medicaid Appropriation - Addictive and Mental Disorders Division

Base Budget, Present Law and New Proposal Decision Packages	FY 2006				FY 2007			
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total
FY 2004 Base Budget	\$5,088,665	\$1,070,881	\$22,244,257	\$28,403,803	\$5,088,665	\$1,070,881	\$22,244,257	\$28,403,803
Present Law Changes								
DP 19 - Caseload Change	\$1,187,099	\$0	\$3,031,886	\$4,218,985	\$1,369,587	\$0	\$3,185,573	\$4,555,160
DP 26 - Enhanced Federal Match Rate	725,924	0	(725,924)	0	725,924	0	(725,924)	0
DP 32 - FMAP Adj. - 2007 Biennium	547,120	0	(547,120)	0	711,256	0	(711,256)	0
DP 58 - PACT Caseload Expansion	717,308	0	1,731,678	2,448,986	787,817	0	1,845,260	2,633,077
Subtotal Present Law Appropriation	\$8,266,116	\$1,070,881	\$25,734,777	\$35,071,774	\$8,683,249	\$1,070,881	\$25,837,910	\$35,592,040
Percent Increase Over Base Budget	62%	0%	16%	23%	71%	0%	16%	25%
New Proposal Changes								
NP 58 - Enhance Psychiatric Access	\$66,987	\$0	\$161,715	\$228,702	\$68,428	\$0	\$160,274	\$228,702
NP 3008 - Medicaid Adult Mental Health	0	198,429	0	198,429	0	198,429	0	198,429
NP 3703 - Expand Intensive Community Based Rehabilitation - 7 Beds	0	84,191	203,247	287,438	0	172,003	402,872	574,875
NP 3708 - Home/Comm. Waiver - 105 Slots	0	0	0	0	0	631,601	1,479,364	2,110,965
Subtotal New Proposals	\$66,987	\$282,620	\$364,962	\$714,569	\$68,428	\$1,002,033	\$2,042,510	\$3,112,971
Total Adult Mental Health - Medicaid	\$8,333,103	\$1,353,501	\$26,099,739	\$35,786,343	\$8,751,677	\$2,072,914	\$27,880,420	\$38,705,011
Total Annual Change Over Base Budget	\$3,244,438	\$282,620	\$3,855,482	\$7,382,540	\$3,663,012	\$1,002,033	\$5,636,163	\$10,301,208
Percent Increase Over Base Budget	64%	26%	17%	26%	72%	94%	25%	36%
Biennial Increase Over Base Budget					\$6,907,450	\$1,284,653	\$9,491,645	\$17,683,748

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,498,549					1,568,094	
Vacancy Savings				(886,931)					(889,708)	
Inflation/Deflation				55,992					40,432	
Fixed Costs				(171,054)					(123,292)	
Total Statewide Present Law Adjustments				\$496,556					\$595,526	
DP 19 - Medicaid Caseload - Mental Health	0.00	1,187,099	0	3,031,886	4,218,985	0.00	1,369,587	0	3,185,573	4,555,160
DP 26 - FMAP Enhancement Adjustment - Mental Health	0.00	725,924	0	(725,924)	0	0.00	725,924	0	(725,924)	0
DP 32 - FMAP Adjustment - Mental Health	0.00	547,120	0	(547,120)	0	0.00	711,256	0	(711,256)	0
DP 46 - Montana State Hospital Base Funding Adjustments	0.00	1,324,307	0	0	1,324,307	0.00	1,324,307	0	0	1,324,307
DP 48 - MT Mental Health Nursing Care Center Base Adjustment	0.00	291,238	0	0	291,238	0.00	291,238	0	0	291,238
DP 51 - PACT Caseload	0.00	745,152	0	1,731,678	2,476,830	0.00	861,684	0	1,845,260	2,706,944
DP 62 - Montana State Hospital Present Law Adjustments	0.00	523,818	0	0	523,818	0.00	746,455	0	0	746,455
DP 63 - MT Mental Health Nursing Care Center Present Law Adjustment	0.00	161,066	0	0	161,066	0.00	190,087	0	0	190,087
DP 126 - Mental Health Block Grant	0.00	0	0	960,525	960,525	0.00	0	0	960,525	960,525
DP 180 - Authority to Maximize PATH Grant	0.00	2,134	0	6,402	8,536	0.00	2,134	0	6,402	8,536
DP 9999 - Statewide FTE Reduction	0.00	(214,414)	0	0	(214,414)	0.00	(208,868)	0	0	(208,868)
Total Other Present Law Adjustments										
	0.00	\$5,293,444	\$0	\$4,457,447	\$9,750,891	0.00	\$6,013,804	\$0	\$4,560,580	\$10,574,384
Grand Total All Present Law Adjustments				\$10,247,447					\$11,169,910	

DP 19 - Medicaid Caseload - Mental Health - The legislature added about \$9 million (including \$2.5 million general fund) over the biennium to fund growth in service utilization and the number of adults eligible for Medicaid mental health services. Base budget expenditures were \$28.4 million.

DP 26 - FMAP Enhancement Adjustment - Mental Health - The federal Jobs and Growth Tax Relief Reconciliation Act temporarily increased the federal Medicaid match rate by 2.95 percent during FY 2004. The legislature approved close to \$1.5 million general fund and an offsetting decrease of federal funds for the biennium to reflect the removal of the enhanced federal match rate in FY 2006 and FY 2007. DP 103 includes funding changes for the same issue for chemical dependency Medicaid services.

DP 32 - FMAP Adjustment - Mental Health - The legislature added about \$1.3 million general fund over the biennium, with an offsetting decrease in federal funds, due to projected reductions in the federal Medicaid rates for FY 2006 and FY 2007. Medicaid match rates are adjusted annually based on changes in state per capita income compared to the national change. The federal match rate for Montana declined from 72.81 percent in FY 2004 (after adjusting for the enhanced rate in DP 26) to 70.71 percent in FY 2006 and 70.08 percent in FY 2007. This funding switch maintains base level Medicaid expenditures for mental health services and does not include any funding for eligibility or service utilization changes during the 2007 biennium. DP 104 includes funding changes for the same issue in chemical dependency Medicaid services.

DP 46 - Montana State Hospital Base Funding Adjustments - The legislature added \$2.7 million general fund over the biennium for personal services costs that were removed from the FY 2004 base budget including overtime, differential, holidays worked, holiday pay (compensation according to union contracts), physician on-call, and aggregate FTE funding. These costs are incurred in operating a medical facility with 24 hour staffing and are zero based. FY 2004 base budget amounts were \$1,324,307.

DP 48 - MT Mental Health Nursing Care Center Base Adjustment - The legislature approved \$0.6 million general fund for personal services costs that were removed from the FY 2004 base budget for Montana Mental Health Nursing Care Center (MMHNCC), including overtime, differential, and holidays worked. These are costs related to operating a medical facility with 24 hour staffing. Aggregate positions are used to provide coverage for staff on sick leave, vacation leave, and in nurse aide training classes. The request for \$582,476 general fund for the 2007 biennium is the difference between actual hours worked and budgeted FTE hours. FY 2004 base budget amounts were \$291,238.

DP 51 - PACT Caseload - The legislature approved and restricted appropriations of \$3 million general fund and \$6 million federal funds over the biennium to support base level and additional Program for Assertive Community Treatment (PACT) services started during FY 2005 as well as the expansion approved for the 2007 biennium. This adjustment constitutes about half of the total amount for PACT appropriations and represents costs to annualize FY 2005 PACT growth. Base year expenditures include two PACT programs with 140 slots. Beginning in FY 2005, PACT grew to five programs with an expected capacity of 290 slots by the beginning of FY 2006. The legislature added another 60 slots over the 2007 biennium for a total of 350 slots in FY 2007. Figure 45 shows the anticipated program capacity by location.

Figure 45
PACT Programs and Number
of Service Slots by Fiscal Year

PACT Sites	2004	2005	2006	2007
Billings	70	70	70	70
Helena	70	70	70	70
Kalispell	0	50	65	70
Missoula	0	50	65	70
Great Falls	0	50	65	70
Total	140	290	335	350
% Over Base		107%	139%	150%

Base year Medicaid costs for PACT were \$1.7 million. This adjustment more than doubles the funding for PACT services.

DP 62 - Montana State Hospital Present Law Adjustments - The legislature approved nearly \$1.3 million general fund over the biennium for several cost increases at the state hospital. The funds support inflation in outside medical services for treatment of MSH clients for other medical problems, pharmacy costs, and contract costs with the Montana State Prison for cook-chill meals, and other replacement equipment and fire department costs. Cost increases for pharmacy and medical costs are estimated at 10 percent annually from the base budget and 5 percent annually for the cook/chill contract with the state prison.

DP 63 - MT Mental Health Nursing Care Center Present Law Adjustment - The legislature added \$351,153 general fund over the biennium for the Montana Mental Health Nursing Care Center for:

- o Pharmacy and prescription fees - \$255,923 biennial increase; FY 2004 base was \$496,164
- o Outside medical services - \$42,830 biennial increase; FY 2004 base was \$79,169
- o Replacement equipment - \$52,400 biennial increase; FY 2004 base was \$27,010

These increases represent cost changes of 10 percent annually for both pharmacy and outside medical services.

DP 126 - Mental Health Block Grant - The legislature added \$960,525 federal funds for the mental health block grant each year of the biennium. The 2004 federal fiscal year grant was withheld due to a short fall in the federal fiscal year 2003 maintenance of effort (MOE) paid by Montana. The shortfall occurred because of general fund budget reductions made for mental health during the 2003 biennium. The federal fiscal year 2004 grant has been awarded subsequent to state fiscal year end 2004 with contingency language based on the DPHHS request for a waiver of the MOE requirement.

The mental health block grant funds augment the Mental Health Services Plan (MHSP) and are currently included in the MHSP contracts with mental health centers. Funds appropriated for mental health services during the 2007 biennium are adequate to meet MOE requirements until the Health Insurance Flexibility and Accountability (HIFA) waiver is

implemented.

DP 180 - Authority to Maximize PATH Grant - The federal Projects for Assistance in Transition from Homelessness (PATH) grant is \$300,000 annually. The grant requires a 25 percent state match. In FY 2004, the federal grant was underspent by \$6,402. The legislature approved restoration of the authority for the federal grant of \$12,804 and the required general fund match of \$4,268 over the biennium.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive request to reduce personal services funding by \$423,000 general fund, equivalent to the cuts taken in the 2003 legislative session. Federal funds were reduced \$35,000 and state special revenue was lowered by \$7,000. The legislature did not remove the FTE slots associated with the funding reduction. The additional vacancy savings are allocated to the state hospital, the nursing care center, and division administration.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 50 - MT Mental Health Nursing Care Center Bed Tax										
01	0.00	180,127	0	0	180,127	0.00	211,915	0	0	211,915
DP 58 - Enhance Community Psychiatric Access										
01	0.00	66,987	0	161,715	228,702	0.00	68,428	0	160,274	228,702
DP 70 - Regional Staffing and Operating										
01	3.00	0	0	97,500	97,500	5.00	0	0	162,501	162,501
DP 86 - Staff Training to Reduce Violence and Improve Communication										
01	0.00	35,000	0	0	35,000	0.00	35,000	0	0	35,000
DP 3002 - Mental Health Services										
01	0.00	0	6,500,000	0	6,500,000	0.00	0	0	0	0
DP 3008 - Medicaid Adult Mental Health										
01	0.00	0	198,429	0	198,429	0.00	0	198,429	0	198,429
DP 3707 - Expand Intensive Community-Based Rehabilitation										
01	0.00	0	84,191	203,247	287,438	0.00	0	172,003	402,872	574,875
DP 3708 - Develop Home and Community-Based Waiver										
01	0.00	0	0	0	0	0.00	0	631,601	1,479,364	2,110,965
Total	3.00	\$282,114	\$6,782,620	\$462,462	\$7,527,196	5.00	\$315,343	\$1,002,033	\$2,205,011	\$3,522,387

DP 50 - MT Mental Health Nursing Care Center Bed Tax - The legislature approved about \$392,000 general fund for the biennium to pay the bed tax charged for Montana Mental Health Nursing Care Center at the budgeted FY 2005 level and restricted the appropriation for use only to pay bed taxes. The 2003 Legislature enacted HB 743 to impose the nursing home bed utilization fee on the nursing care center (15-60-101, MCA). The proposal is revenue neutral, as a like amount will be deposited in the general fund.

DP 58 - Enhance Community Psychiatric Access - The legislature added \$135,415 in general fund and \$457,404 in total funds during the biennium to increase the rate paid for community psychiatric services by 20 percent. Base expenditures for psychiatric services were \$994,356. The legislature also added a reporting requirement to track whether the rate increase enhanced access to psychiatric services.

DP 70 - Regional Staffing and Operating - The legislature provided funding for 5.00 new FTE for the mental health program as requested by the executive. The staff will be located in regional offices. The proposal adds \$260,000 of federal funds for the biennium. The general fund portion of staff and operating costs (\$260,000) is removed from the general fund appropriation for MHSP services resulting in no net change to total general fund appropriation levels.

Staff will be responsible for working directly with providers to perform quality assurance and program monitoring, technical assistance regarding DPHHS rules and expectations, policy interpretation, and liaison functions between Helena program managers and local service providers. Staff will undertake specific problem solving for consumer placement and service issues. They will work locally to develop service capacity and provide coordinating activities for communities to be proactive in the service system and would provide initial staff support for Service Area Authorities. The new FTE will work with MSH staff to facilitate movement of individuals between facility-based services and community services.

The legislature added a requirement that 2.00 of the newly funded FTE must work on the development of community crisis services. The legislature also added a reporting requirement so that work accomplishments of the FTE could be monitored by legislators during the interim.

DP 86 - Staff Training to Reduce Violence and Improve Communication - The legislature approved \$70,000 in general fund over the 2007 biennium for state hospital staff training in response to new federal initiatives that call for reducing and eventually eliminating the use of restraint and seclusion interventions in adult and children's inpatient and residential psychiatric programs. This funding will provide training and consultation necessary to help MSH staff develop skills to provide alternative intervention strategies. Programs in use in other state hospitals have resulted in reductions in patient and staff injury rates and improved therapeutic outcomes.

DP 3002 - Mental Health Services - The legislature approved the executive request for \$6.5 million over the biennium in I-149 tobacco tax funding to support the Mental Health Services Plan, which provides prescription drugs and other services for low-income adults with a serious and disabling mental illness. During the 2005 biennium, these services were funded through a one-time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485 passed by the 2003 Legislature).

The executive will use the MHSP state funding in FY 2007 to draw down additional federal Medicaid funds as part of HIFA wavier incorporated into the Medicaid redesign proposal, which will expand Medicaid eligibility to a capped number of persons currently eligible for the 100 percent state funded program. Medicaid redesign proposals are summarized in the DPHHS overview.

DP 3008 - Medicaid Adult Mental Health - The legislature added \$396,858 in I-149 tobacco tax state special revenue over the biennium to continue Medicaid mental health services at the level of the 2005 biennium. During the 2005 biennium, these services were funded through a one time diversion of tobacco settlement funds authorized in 17-6-606, MCA (SB 485 passed by the 2003 Legislature).

DP 3707 - Expand Intensive Community-Based Rehabilitation - The legislature appropriated about \$256,000 of state special I-149 funds and \$606,000 in federal Medicaid matching funds to implement the executive request to add seven beds for intensive community-based rehabilitation for adults with severe and disabling mental illness. The legislature delayed implementation of the proposal until January 1, 2006.

This proposal allows persons to be served in the community who would otherwise remain in a state mental health institution. The legislature first funded this type of service in the 2005 biennium when about 30 persons were moved from the nursing care center to the community.

DP 3708 - Develop Home and Community-Based Waiver - The legislature accepted the executive proposal to implement a home and community-based Medicaid waiver for adults with a severe and disabling mental illness, similar to the waivers already administered for elderly, physically disabled, and developmentally disabled adults. The legislature appropriated about \$0.6 million of state special revenue from I-149 tobacco tax revenue and about \$1.5 million of federal Medicaid matching funds in FY 2007 to implement the waiver. The executive estimates that funding will be sufficient to support about 105 service slots. Depending on the required service intensity, more than 105 persons could be served.

Addiction Treatment and Prevention Legislative Appropriation

The following table summarizes the legislative budget appropriation for chemical dependency services and prevention. The table shows appropriations by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	55.25	0.00	0.00	55.25	0.00	0.00	55.25	55.25
Personal Services	2,435,680	21,030	0	2,456,710	25,597	0	2,461,277	4,917,987
Operating Expenses	1,489,144	116,438	0	1,605,582	193,480	0	1,682,624	3,288,206
Grants	5,794,268	84,903	0	5,879,171	334,903	0	6,129,171	12,008,342
Benefits & Claims	1,190,169	496,404	0	1,686,573	622,897	0	1,813,066	3,499,639
Debt Service	14,600	0	0	14,600	0	0	14,600	29,200
Total Costs	\$10,923,861	\$718,775	\$0	\$11,642,636	\$1,176,877	\$0	\$12,100,738	\$23,743,374
General Fund	0	0	39,853	39,853	0	0	0	39,853
State/Other Special	3,194,632	418,563	(39,853)	3,573,342	495,859	0	3,690,491	7,263,833
Federal Special	7,729,229	300,212	0	8,029,441	681,018	0	8,410,247	16,439,688
Total Funds	\$10,923,861	\$718,775	\$0	\$11,642,636	\$1,176,877	\$0	\$12,100,738	\$23,743,374

Addiction Treatment and Prevention

The appropriation for addiction treatment and prevention function increases about \$2 million from the FY 2004 base budget to the FY 2007 appropriation, not including amounts that will be distributed for 2007 biennium pay plan increases. Appropriations for chemical dependency services are 13 percent of the total FY 2007 division appropriation.

The largest share of appropriations support grants to local state approved providers that provide treatment and prevention services, accounting for about \$7 million in federal funds per year and rising \$2 million annually from base budget expenditures. This amount does not include statutory appropriations from the alcohol tax state special revenue account that are passed through to state approved programs, which are anticipated to be about \$3 million per year.

The Montana Chemical Dependency Center (MCDC) receives the second largest appropriation at about \$3.4 million in state special revenue and federal grant authority each year of the biennium. MCDC also receives funding for 48.25 FTE. Adjustments for overtime and operating cost increases add about \$0.3 million in federal authority over the biennium.

Medicaid chemical dependency services grow from about \$1.5 million to \$1.8 million. The state match is funded with alcohol state special revenue.

The final significant appropriation adjustment was made to correct an accounting error that removed funds from the benefits category of expenditure. Correcting that adjustment adds about \$0.5 million in alcohol tax state special revenue over the biennium.

Figure 46 shows the total appropriation for chemical dependency Medicaid services, including a funding shift to account for lower federal Medicaid matching rates during the 2007 biennium than in the base budget.

Figure 46 Total Chemical Dependency Medicaid Appropriation - Addictive and Mental Disorders Division						
Base Budget, Present Law and New Proposal Decision Packages	FY 2006			FY 2007		
	SSR	Federal	Total	SSR	Federal	Total
FY 2004 Base Budget	\$359,112	\$1,100,334	\$1,459,446	\$359,112	\$1,100,334	\$1,459,446
Present Law Changes						
DP 99 - Caseload Change	\$66,525	\$160,601	\$227,126	\$105,803	\$247,816	\$353,619
DP 103 - Enhanced Federal Match Rate	37,712	(37,712)	0	37,712	(37,712)	0
DP 104 - FMAP Adj - 2007 Biennium	30,648	(30,648)	0	39,843	(39,843)	0
Subtotal Present Law	\$493,997	\$1,192,575	\$1,686,572	\$542,470	\$1,270,595	\$1,813,065
Percent Increase Over Base Budget	38%	8%	16%	51%	15%	24%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				90,658					95,417
Vacancy Savings				(101,052)					(101,244)
Inflation/Deflation				(535)					(516)
Fixed Costs				16,889					33,947
Total Statewide Present Law Adjustments				\$5,960					\$27,604
DP 97 - MT Chemical Dependency Center Present Law Adjustments	0.00	0	0	100,084	0.00	0	0	160,049	160,049
DP 99 - Medicaid Caseload - Chemical Dependency	0.00	0	66,525	160,602	0.00	0	105,803	247,817	353,620
DP 103 - FMAP Enhancement Adjustment - Chemical Dependency	0.00	0	37,712	(37,712)	0.00	0	37,712	(37,712)	0
DP 104 - FMAP Adjustment - Chemical Dependency	0.00	0	30,648	(30,648)	0.00	0	39,843	(39,843)	0
DP 105 - MT Chemical Dependency Center Base Adjustments	0.00	0	17,704	13,720	0.00	0	24,887	6,537	31,424
DP 132 - Substance Abuse Prevention Treatment Increase	0.00	0	0	250,000	0.00	0	0	500,000	500,000
DP 179 - Discontinue State Incentive Grant Authority	0.00	0	0	(165,097)	0.00	0	0	(165,097)	(165,097)
DP 181 - Correct Accounting Error	0.00	0	269,277	0	0.00	0	269,277	0	269,277
Total Other Present Law Adjustments	0.00	\$0	\$421,866	\$290,949	0.00	\$0	\$477,522	\$671,751	\$1,149,273
Grand Total All Present Law Adjustments				\$718,775					\$1,176,877

DP 97 - MT Chemical Dependency Center Present Law Adjustments - The legislature added \$260,133 alcohol tax state special revenue over the biennium for several cost increases anticipated at the Montana Chemical Dependency Center (MCDC). Funding supports inflation in outside medical services delivered by other health care providers, pharmacy costs, and other replacement equipment and leases. Also included is non-state building rent and food contract increases. Base year costs for these items were about \$900,000, with food and rent costs comprising more than 67 percent of the total base year costs.

DP 99 - Medicaid Caseload - Chemical Dependency - The legislature approved \$580,747 total funds, including \$172,328 in state special revenue, over the biennium for Medicaid caseload growth in the chemical dependency program. Caseloads are anticipated to grow by about 6 percent per year from the base budget level of \$1,459,446.

DP 103 - FMAP Enhancement Adjustment - Chemical Dependency - The legislature approved \$37,712 of alcohol state special revenue each year of the biennium, with an offsetting decrease in federal funds, to reflect the one-time enhancement in the federal Medicaid rate in FY 2004. The enhancement was enacted as part of federal fiscal relief for states. DP 26 includes funding changes for adult mental health services for the same issue.

DP 104 - FMAP Adjustment - Chemical Dependency - The legislature added \$70,491 alcohol tax state special revenue over the biennium, with an offsetting decrease in federal funds, due to projected changes in the federal Medicaid match rates in FY 2006 and FY 2007. This adjustment reflects the state match necessary to maintain the level of FY 2004 expenditures, not including any caseload or service utilization increases over the 2007 biennium. DP 32 includes funding changes for adult mental health services for the same issue.

DP 105 - MT Chemical Dependency Center Base Adjustments - The legislature approved \$42,591 in state special

revenue and \$20,257 in federal funds over the biennium for personal services costs at the Montana Chemical Dependency Center (MCDC). These services include holidays worked, overtime, differential, and physician on-call necessary to maintain minimum staffing requirements at a 24 hour day, seven day a week facility. These personal services costs are removed from the base budget and must be reauthorized by the legislature each biennium. The amount requested is equal to the amount expended in the FY 2004 base budget.

DP 132 - Substance Abuse Prevention Treatment Increase - The legislature approved \$750,000 in additional federal authority over the biennium from the Substance Abuse and Prevention Treatment Block Grant to help expand existing services including alcohol and drug treatment and prevention programs. The grant is used for community chemical dependency services for adults and adolescents. The grant funds are intended to help the state develop an effective system of chemical alcohol and drug treatment and prevention programs.

DP 179 - Discontinue State Incentive Grant Authority - The legislature reduced \$165,097 federal funds each year of the biennium due to discontinuation of the State Incentive Grant, which was completed in FY 2004. This grant supported training assistance to communities to assist in planning for alcohol prevention and programming.

DP 181 - Correct Accounting Error - This legislature added \$538,554 alcohol tax state special revenue over the biennium to correct an accounting error. A fiscal-year-end adjustment to reduce state special revenue and increase federal funding for personal services was incorrectly recorded in the state accounting system. The federal funds increase was made in personal services and the state special revenue reduction was recorded in benefits and services. Since personal services is based on a snapshot of FTE costs, the correct amounts carried forward. However, the reduction in benefits and services also carried forward, understating costs for MCDC.

New Proposals

New Proposals										
Sub Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 193 - Chemical Dependency Admin Fund Switch										
02	0.00	39,853	(39,853)	0	0	0.00	0	0	0	0
Total	0.00	\$39,853	(\$39,853)	\$0	\$0	0.00	\$0	\$0	\$0	\$0

DP 193 - Chemical Dependency Admin Fund Switch - The legislature authorized about \$40,000 general fund in FY 2006 to cover a shortfall in the alcohol tax state special revenue account. This amount was about \$60,000 less than requested in the executive budget (\$101,192 general fund over the biennium). The reduction in the general fund request was made by the legislature because a one-time expenditure for \$40,000 of state special revenue was carried forward in the base budget and in each year of the 2007 biennium. After removing the one-time expenditure, there was \$80,000 more alcohol tax revenue projected to be available to offset most of the general fund requested by the executive.

As discussed in the AMDD overview, the alcohol state special revenue account is expected to be in deficit position each year of the 2007 biennium. While the legislature offset part of the deficit, increases for state pay plan authorized in HB 447 were not offset and

Division Administration Legislative Budget

The following table summarizes the legislative appropriation for the division administration function of AMDD. The table shows appropriations by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	14.00	0.00	0.00	14.00	0.00	0.00	14.00	14.00
Personal Services	662,682	89,716	757,873	1,510,271	89,351	1,963,628	2,715,661	4,225,932
Operating Expenses	205,855	66,329	0	272,184	68,777	0	274,632	546,816
Debt Service	3,260	0	0	3,260	0	0	3,260	6,520
Total Costs	\$871,797	\$156,045	\$757,873	\$1,785,715	\$158,128	\$1,963,628	\$2,993,553	\$4,779,268
General Fund	407,856	121,762	665,755	1,195,373	123,240	1,722,651	2,253,747	3,449,120
State/Other Special	21,944	(2,459)	75,146	94,631	(2,409)	196,437	215,972	310,603
Federal Special	441,997	36,742	16,972	495,711	37,297	44,540	523,834	1,019,545
Total Funds	\$871,797	\$156,045	\$757,873	\$1,785,715	\$158,128	\$1,963,628	\$2,993,553	\$4,779,268

Division Administration

Division administration for AMDD is about 3 percent of the FY 2007 total division appropriation. The most significant increase is a new proposal for pay plan for the entire division, which adds about \$0.8 million in FY 2006 and nearly \$2 million in FY 2007, largely funded from the general fund. Pay plan is recorded in the administration function, but will be allocated among functions in AMDD. The majority of the pay plan allocation will go to the state institutions administered by the division.

Statewide present law adjustments for annualization of the 2005 biennium pay plan and fixed cost changes account for about 75 percent of the present law increase. The other major change is the addition of federal grant funds to continue development of a management information system.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					156,198					156,459
Vacancy Savings					(32,756)					(32,766)
Inflation/Deflation					(89)					(86)
Fixed Costs					780					835
Total Statewide Present Law Adjustments					\$124,133					\$124,442
DP 55 - Division Central Office Rent	0.00	2,783	139	1,716	4,638	0.00	4,217	211	2,600	7,028
DP 107 - Continue Data Infrastructure and Integration Grant	0.00	0	0	75,000	75,000	0.00	0	0	75,000	75,000
DP 9999 - Statewide FTE Reduction	0.00	(26,750)	(3,360)	(17,616)	(47,726)	0.00	(27,106)	(3,389)	(17,847)	(48,342)
Total Other Present Law Adjustments										
	0.00	(\$23,967)	(\$3,221)	\$59,100	\$31,912	0.00	(\$22,889)	(\$3,178)	\$59,753	\$33,686
Grand Total All Present Law Adjustments					\$156,045					\$158,128

DP 55 - Division Central Office Rent - The legislature added \$7,000 general fund, \$350 state special revenue, and \$4,316 federal funds over the biennium to maintain contracted rent increases for the central office. The building lease rate increases 2 percent annually.

DP 107 - Continue Data Infrastructure and Integration Grant - The legislature approved the executive request for \$150,000 in federal funds over the biennium to continue development of a uniform management information system. Base expenditures were about \$70,000. The grant finances state efforts to prepare data systems for the Substance Abuse and Mental Health Services Administration conversion to performance partnership grants as required by Congress. Performance partnership grants will become outcome and performance-based. Management and accounting for the federal mental health services block grant also will be affected by this change.

DP 9999 - Statewide FTE Reduction - The legislature accepted the executive request to reduce personal services funding by \$100,000 general fund, equivalent to the cuts taken in the 2003 legislative session. Federal funds were reduced \$35,000 and state special revenue was lowered by \$7,000. The legislature did not remove the FTE slots associated with the funding reduction. The additional vacancy savings are allocated to the state hospital, the nursing care center, and division administration.

New Proposals

New Proposals										
Sub Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6010 - 2007 Biennium Pay Plan - HB 447										
03	0.00	665,755	75,146	16,972	757,873	0.00	1,722,651	196,437	44,540	1,963,628
Total	0.00	\$665,755	\$75,146	\$16,972	\$757,873	0.00	\$1,722,651	\$196,437	\$44,540	\$1,963,628

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the allocation of costs to this program to fund the pay plan and the division will allocate pay plan funding among all functions in the division.

Language

The legislature approved the following language for inclusion in HB 2. The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

“Addictive and Mental Disorders Division includes funding for 3.00 FTE in fiscal year 2006 and 5.00 FTE in fiscal year 2007. Funding for 1.00 FTE in fiscal year 2006 and 2.00 FTE in fiscal year 2007 is added to ensure that the addictive and mental disorders division has adequate resources to plan for and implement development of community mental health crisis services. The department shall prepare a report for the legislative finance committee and include: the hire date for all FTE, including those who will support crisis services planning and implementation; the plan adopted by the division for development and implementation of community crisis services; and the progress made toward implementation of the plan. The report must also include information describing the other duties performed by the FTE and provide outcome measures to facilitate legislative evaluation of the effectiveness of the regional FTE. The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter.

Addictive and Mental Disorders Division includes funding for a rate increase for psychiatric services. *The department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter on the amount of rate increase given, the number of services provided, and assessment of whether the rate increase facilitated access to psychiatrists for low-income persons with a serious and disabling mental illness.*

Funds in PACT Services (Restricted) may be used only for the program for assertive community treatment (PACT). *The*

department shall report to the legislative finance committee by September 1, 2005, and every 6 months thereafter on the number of PACT teams, number of persons served in PACT, and PACT outcome measures tracked by the department.

In fiscal year 2006, funds in Mental Health Services Plan (Biennial/Restricted) may be used only for the mental health services program authorized in 53-21-702(2) and for state medicaid matching funds to implement Senate Bill No. 110.”

GLOSSARY / INDEX



Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

Biennial – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium.

Budget amendment – See “Budget Amendment” below.

Continuing – An appropriation that continues beyond one biennium.

Language – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.

Line Item – An appropriation made for a specific purpose and which cannot be used for any other purpose. Line item appropriations highlight certain appropriations and ensure that they can be separately tracked on the state accounting system.

One-time – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.

Restricted – An appropriation designated for a specific purpose or function.

Statutory – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.

Temporary - An appropriation authorized by the legislature in the general appropriations act or in a “cat and dog” bill that is valid only for the biennium.

Appropriation Transfers (also see “Supplemental Appropriation”) – The transfer of funds appropriated for the second year of the biennium to the first if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- the Governor or his/her designated representative for executive branch agencies
- the Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies

- the Speaker of the House of Representatives for the House;
- the President of the Senate for the Senate
- the appropriate standing legislative committees or designated representative for the legislative branch divisions; and
- the Board of Regents of Higher Education or their designated representative for the university system.

Average Daily Population (ADP) – The population measure used to calculate population in the Montana correctional system. ADP is equivalent to one inmate incarcerated for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. Fiscal year 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services.).

FTE – Full-Time Equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period.

Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity who will perform a service.

HB 2 – The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

Capital projects fund – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

Fiduciary funds – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services – Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a “snapshot” of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

Enterprise funds – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.

Internal service funds – Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state’s accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

Acronyms

Acronyms are used to denote agencies, programs, and common terms. The following list includes some of the most common.

AES – Agricultural Experiment Station(s)
ADP – Average Daily Population (institutions)
ANB – Average Number Belonging (K-12 education)
ARM – Administrative Rules of Montana
BASE Aid – Base Amount for School Equity Aid
BPE - Board of Public Education
C&A – Cultural and Aesthetic (Trust)
CC - Community Colleges
CES - Cooperative Extension Service
CHE - Commissioner of Higher Education
CHIP – Children’s Health Insurance Program (also SCHIP)
CIO – Chief Information Officer
COPP - Commissioner of Political Practices
COT - College of Technology, followed by campus designation
CPI – Consumer Price Index
DEQ – Department of Environmental Quality
DMA – Department of Military Affairs
DNRC – Department of Natural Resources and Conservation
DOA – Department of Administration
DOA – Department of Agriculture
DOC –Department of Commerce (see Corrections)
DOC – Department of Corrections (see Commerce)
DOJ – Department of Justice
DOLI – Department of Labor and Industry
DOR – Department of Revenue
DP – Decision Package
DPHHS – Department of Public Health and Human Services
FCES - Forestry and Conservation Experiment Station
FMAP – Federal Medical Assistance Participation rate (Medicaid)
FSR – Federal Special Revenue
FSTS - Fire Services Training School
FTE – Full-Time Equivalent
FWP – Department of Fish, Wildlife, and Parks
FFY – Federal Fiscal Year
FY – Fiscal Year
FYE - Fiscal Year End
GAAP – Generally Accepted Accounting Principles
GF – General Fund
GSL – Guaranteed Student Loan
GTB – Guaranteed Tax Base
HAC – House Appropriations Committee
HSRA – Highways Special Revenue Account

I&I – Interest and Income
IRIS – Integrated Revenue Information System
IT – Information Technology
ITSD - Information Technology Services Division
LAD - Legislative Audit Division
LEPO - Legislative Environmental Policy Office
LFA – Legislative Fiscal Analyst
LFC – Legislative Finance Committee
LFD - Legislative Fiscal Division
LRBP - Long Range Building Program
LRP – Long Range Planning
LSD - Legislative Services Division
MAC - Montana Arts Council
MBARS – Montana Budgeting, Analysis, and Reporting System
MBCC – Montana Board of Crime Control
MBMG – Montana Bureau of Mines and Geology
MCA – Montana Code Annotated
MCHA – Montana Comprehensive Health Association
MDT – Montana Department of Transportation
MHP - Montana Highway Patrol
MHS - Montana Historical Society
MSDB – Montana School for the Deaf and Blind
MSF – Montana State Fund
MSL - Montana State Library
MSU - Montana State University, followed by campus designation i.e. MSU – Bozeman
MUS - Montana University System
NP – New Proposal
OBPP - Office of Budget and Program Planning
OCHE – Office of the Commissioner of Higher Education
OPI - Office of Public Instruction
PERS - Public Employees Retirement System
PL – Present Law
POINTS – Process Oriented Integrated Tax System
PSC - Public Service Commission
RIGWA – Resource Indemnity and Groundwater Assessment Tax
RIT – Resource Indemnity Trust
SABHRS – Statewide Accounting, Budgeting, and Human Resources System
SAO - State Auditor's Office
SF&C –Senate Finance and Claims Committee
SOS - Secretary of State
SSR - State Special Revenue
TANF - Temporary Assistance for Needy Families
TEA – 21 – Transportation Equity Act for the 21st Century
TRS – Teachers' Retirement System
TSEP - Treasure State Endowment Program
UM - University of Montana, followed by campus designation i.e. UM – Missoula

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